

The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF



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Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

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Professional Notes.

THE General Election occasioned by the appeal of the Prime Minister (Mr. Baldwin) to the country is now in full swing, and as all the polls will be taken on Thursday, December 6th, the result will be known within a week of the appearance of this issue. Three Incorporated Accountants will go to the poll. Sir Charles Wilson, who won the Central Division of Leeds as a Unionist in July last, has again to face the electors. His majority at the last Election was 1,726, and Mr. H. H. Slessor, Barrister, is once more opposing him as the Labour nominee. In the Aylesbury Division of Buckinghamshire another

member of the Council of the Society, Mr. Thomas Keens, who at the last Election was defeated by Major L. de Rothschild by a narrow majority, is again fighting under the Liberal standard. In the Central Division of Sheffield, Mr. J. H. Freeborough, Incorporated Accountant, appears to have a heavy task before him as in the Liberal interest he is opposing Mr. J. F. Hope, Unionist, who was unopposed at the last General Election.

The 31st Annual Meeting of the Incorporated Accountants' Benevolent Fund was held on November 27th, and was presided over by Mr. Arthur E. Green, F.S.A.A., Chairman of the Trustees. The report and accounts, which are published in this issue, show that the Fund continues to make satisfactory progress, and that on September 30th last there was a surplus of £6,411 13s. 3d. Twenty-one applicants have been assisted during the past year, and once more we express the hope that this Fund, which was founded for the benefit of Incorporated Accountants, their widows and dependents, should receive the sustained and enthusiastic support of the whole of the members of the Society. The amount of subscription required does not entail sacrifice, it simply demands a little thought.

Last month we drew attention to the new form in which the syllabus of the Yorkshire District Society of Incorporated Accountants is issued. Now we have before us the syllabus for the winter and spring sessions of the Notts, Leicester, Derby, Lincoln and District Society of Incorporated Accountants, a feature of which is the students' tuition scheme whereby continuous series of lectures are provided at Nottingham and Leicester in connection with the Society's Intermediate and Final examinations. At Nottingham lectures have been arranged in Accountancy, Law, Economics and Statistics, and at Leicester instruction will be given in Accountancy and Law. In addition to these lectures, the usual series of addresses are being delivered before the District Society, covering dates commencing at the end of September last and closing with the annual meeting to be held in April next.

An interesting report of the proceedings at the annual meeting of the American Institute of Accountants has been furnished to us by Mr. John A. Corben, F.S.A.A., of New York, and is printed in this issue under the title of "Impressions at the Annual Meeting." Mr. Corben in his earlier days was an active member of the Committee of the Incorporated Accountants' Students' Society of London, and his views are therefore entitled to considerable weight as coming from one who knows the inside training in England and also the American practice as an active member of the profession connected with an eminent English firm in New York. In a word of warning to the British societies, Mr. Corben deprecates the absence of foreign representatives from the annual meeting of the American Institute, and points out that the

development and growth of the home-bred accountant in the United States is leading to a consideration of the question as to whether the time has not arrived when the membership of the American Institute should be closed to members of foreign societies.

A proposed change in the constitution of the American Institute apparently having that object in view was placed before the meeting, and although the amendment was defeated it had such widespread support that it is probable that a more determined effort in a similar direction will be successfully made in the near future. It is unfortunate that the pre-occupations of the Old World, and the necessity for close attention to the repair of the financial ravages created by the war, has prevented members of the accountancy profession from undertaking journeys, except on urgent business, and it is mainly owing to this that the visits paid in years gone by to our brethren in the United States successively by Sir James Martin, Mr. Harry Lloyd Price, and Mr. Arthur E. Green, as representing Incorporated Accountants, have not been continued. The President of the Society (Mr. G. Stanhope Pitt) is quite alive to its many needs, and has already paid a much accepted visit to South Africa. We venture to hope that before his period of office expires, he will see his way to avail himself of a visit to the United States should an invitation be extended to him in the near future.

An important point in relation to deeds was decided by Mr. Justice Eve in the Chancery Division last month in the case of *Schiller v. Petersen & Co., Limited*. Most people, we imagine, would assume that if a period of six months is mentioned in a deed it would mean six calendar months, but after carefully considering the matter his Lordship held that it meant six lunar months, that is six months of 28 days each. As a result a limited company which was required to be incorporated within six months of August 31st, 1921, and was, in fact, incorporated on February 20th, 1922, was held to be five days too late. For the plaintiff it was contended that when "months" were referred to in a legal document the proper construction was "lunar months." The defendant company said that the transaction under consideration related to a mortgage, and that there was an established rule that in a mortgage transaction the word "month" should be regarded as meaning "calendar" and not "lunar" month. Mr. Justice Eve, however, came to the conclusion that the company was not formed within the time limit.

The Divisional Court has dismissed the appeal of 36 members of the Poplar Borough Council against the district auditor's surcharge of £5,000. The amount surcharged consisted of wages to unskilled employees at a minimum rate of £4 per week. The auditor's view was that the council had not paid proper regard to the interests of the ratepayers whose funds they were administering, and decided that the

council had made what amounted to gifts to the employees in addition to remunerating them in wages, thus incurring an unjustifiable waste of the ratepayers' money. The Court came to the conclusion that the sum expended was of such a character as to come within the words "an item of account contrary to law," and that the surcharge was accordingly a proper one.

In the case of *Dodd v. Amalgamated Marine Workers' Union*, the Court of Appeal have affirmed the decision of Mr. Justice Astbury that a member of a trade union has a right through an accountant to inspect the books of the union. This case was previously before the Court of Appeal on an interim motion, and on that occasion the Court set aside Mr. Justice Astbury's order on the ground that an application which comprised the whole of the substance of an action should not be granted on an interim motion. The Master of the Rolls on that occasion appeared also to have some doubt in his mind as to whether the question was not affected by the fact that this was an application by a single member of a union, whereas in the previous case of *Norey v. Keep* there were 1,300 members concerned. When the action came on for trial Mr. Justice Astbury adhered to his previous decision, and it appears that the Court of Appeal, on fuller consideration, are now in accord with him. The Master of the Rolls said that when an Act of Parliament said "inspection" it meant "effective inspection" and, if necessary, by the instrument which would make it effective; and the onus lay on those who wished to deny that right to show reason why the right should not be exercised. The inspection conferred by the legislature might be defeated if it were held that only personal inspection should be permitted. The necessary and proper qualification was added, that the information obtained by the accountant should be used only for the purpose of informing his client.

The number of instances in which issues of shares are made to the public by way of "offers for sale" instead of on an orthodox prospectus has become very noticeable, and the object clearly is to avoid having to comply with some of the requirements which are specifically laid down in relation to prospectuses. It may be that these requirements are in some respects troublesome and difficult to comply with, but on the other hand there is no doubt that "offers for sale" are frequently made with the express object of avoiding the disclosure of information which the subscribing public are clearly entitled to have. A correspondent of *The Times*, in a lengthy discussion of this question, says that in prospectuses issued formally by companies the interest of directors must be disclosed, but in "offers for sale" many act on the view that it need not be disclosed. The solution of the difficulty suggested by him is an amendment of the law which would place everyone responsible for the issue of such offers under the same restrictions as the law now

imposes upon promoters and directors when offering the shares direct to the public. He thinks that sect. 81 of the Companies Act should be amended so as to include at least every person who has not only been engaged in the formation of the company, but who is directly interested with the company in the public subscription of any issue.

Mr. Herbert W. Jordan, a well known authority on company matters, in a lecture on "Company Registration," expresses a somewhat similar view. He thinks that all prospectuses offering shares or debentures of a company, by whomsoever issued, should be required to be filed with the Registrar of Companies, and he points out that it is possible at present for an individual to sell his business to a company in exchange for debentures, thus enabling the owner to gain a preference over his own creditors. One individual, he says, is known to have carried through such an operation successfully as many as fourteen times.

In his Presidential Address to the Institute of Bankers, Sir Herbert Hambling, the Deputy Chairman of Barclay's Bank, expressed some interesting views on what he called "the heresy of the limited market." While condemning the "ca 'canny" policy of the workers in not turning out as large a volume of goods as the workers in other countries, he said that the limitation of output was apparently not confined to labour alone, and he quoted Mr. McCurdy, who, after his experience as Chairman of the Committee on Trusts, had said he was impressed by the number of combinations which existed almost exclusively for the purpose of restricting production and undesirable competition in a strictly limited market. Certain sections of capital and labour, Sir Herbert added, were entirely ignoring the fact that demand could be increased by reducing prices and cost of production. His main point was, that if labour and capital would act together and endeavour to produce as much as possible at the lowest possible cost, the result would be a more efficient production per unit, resulting in lower prices, an increased consumption, a rising standard of living, and less unemployment. To achieve this object it was necessary to re-create between master and servant an atmosphere of goodwill and mutual trust.

A feature in connection with efficiency of production, which is sometimes overlooked, is that all machinery should be kept going as near as possible at full pressure, otherwise the cost per unit of the machine work rapidly increases. The fallacy that there is only a certain amount of work to be done in the world, and therefore that any man who does more than he is compelled to do is thereby depriving his neighbour of a chance of earning his living, appears to be an exceedingly difficult one to dispel.

The House of Lords has just affirmed the decision of the Court of Appeal given in the autumn of 1922, in the case of *Drughorn v. Moore and Others*, to the effect that where a tenant holds a house rent free for twelve months on condition of doing the repairs himself, he is not entitled to deduct the Schedule A tax for that year from subsequent payments of rent. Their Lordships endorsed the view of the Appeal Court that the "rent payable to the landlord," in respect of which the tenant is entitled to make a deduction, is rent in the strict legal sense—that is to say a money rent from which a deduction can be made.

The Court of Appeal has reversed the decision of Mr. Justice Astbury in the case of *Chillingworth v. Esche*, in which an agreement was entered into for the purchase of certain freehold property "subject to a proper contract to be prepared by the vendor's solicitors." An amount of £240 was paid as deposit. The vendor signed the agreement as follows:—

"I—hereby confirm the above sale and acknowledge receipt of the deposit of £240 above mentioned,"

and gave a formal receipt in these terms:—

"Received of—the sum of £240, being deposit and part payment of the sum of £4,800 on sale of my property as per agreement entered into this 10th day of July, 1922."

The formal contract was prepared and, after some alterations, was approved by the purchaser's solicitors, but the purchaser, without giving any reasons, declined to sign it, and asked for the return of his deposit. Mr. Justice Astbury decided that the document of July 10th, 1922, together with the description of that document as the "sale of the property," constituted a binding contract, but their Lordships have taken a different view, and have held that the document of July 10th, 1922, did not constitute a binding contract. There was, therefore, no enforceable contract, as the conditions to which the document was made subject had not been fulfilled. The fact of the description of that document as the "sale of the property" could not alter its legal effect. The vendor was accordingly ordered to return the deposit.

The census records relating to London provide some interesting reading, showing as they do, not only the total influx and outflow of bread winners, but indicating from what quarters they come. The night population of the City of London is 13,709, and the day population 416,150, irrespective of those whose presence is more or less a casual happening. The daily inflow of over 400,000 emanates from the London boroughs to the extent of about 223,000, of which Hackney and Islington account for 36,000, Camberwell, Lambeth and Southwark 51,000, Wandsworth 18,000, Lewisham 18,000, and Stepney 13,000. Of those who travel from further afield Essex contributes 75,000, and no less than 7,000 of these come from Westcliff and Southend-on-Sea. Middlesex sends 55,000 and Surrey 31,000, while the quota of Kent is 15,000 only.

Local Income Tax.

SOME subjects there are which rival the Irishman's coat as an agent for creating controversy. As he trails this garment in the hope that a certain liveliness may be induced to visit the scene, so may one rely upon brisk and bright discussion in any gathering of professional men on income tax, more especially the local variety of the said impost.

Perhaps some such subtlety induced the South Wales Branch to lead this old warrior into the arena at Cardiff at the recent Annual Conference of the Society. We of the English tribe are free from guile, and we rose to the occasion. And who else, indeed, should lead the Conference into the controversy but our old friend Mr. John Allcock, F.S.A.A., the City Treasurer and Controller of Cardiff? His branch chose the subject; his geniality and knowledge clothed it with grace and argument, and a lively debate justified the scheme.

There have been previous vintage years. Local income tax has been discussed by various tribunals and conferences in times past; the 1923 brand was but old wine in new bottles.

Enough, however, of metaphor. Taxes are grave subjects, and though it is a poor heart that never rejoices, it is not taxation which usually stimulates levity.

What, then, is it which has revived interest in this old scheme of local taxation on income? In brief, it is preference for new sources of income instead of reductions in public expenditure. To avoid misunderstanding, such reductions as we have in mind are reductions in the broadest sense, such as affect public policy, and not merely those reductions in the cost of administration which would be expected from fewer officials, paid lower salaries. The fact is that these last mentioned "economies," even if attained to the maximum extent, represent but a small part of the cost of local government. As long as the public expects and obtains the public services of to-day—when rates are saddled with the cost of so many things which in times past were left undone, or if done at all were carried out at the expense of the individual of his own free will and accord—so long will the rates be high. Few who gird at the cost of local government can indicate the public services they would abolish. "Once on the rates, always there." That is the general experience of the public service. Would the nation discard its national education organisation, and go back to school fees and Church schools or board schools? Improve the system by all means if it wants it—and we leave this to others to judge—but abolish it? Similarly with maternity and child welfare, parks, roads, police, and sanitary services; which is to go? Public opinion may permit the destruction of these amenities, but it is more likely it will not.

So it is that rates are rarely below 10s. in the pound, and often exceed 20s. It is the heavy burden of the local rates which creates a situation favourable to local income tax. We now find ourselves faced with the post war cost of a good number of things

which were only partly operative, on an increasing programme or scale, when war broke out. Others were added when prosperous times followed the armistice. Artificial, indeed, such prosperity was, but our commitments were entered into then, and are not lightly discarded now. Hence new revenue is sought, and what more fruitful field than a local income tax?

Furthermore, practically the whole cost of local government is rate-borne. The system is criticised as inelastic, unfair in incidence, and crippling in its results. It may be so, but would a local income tax be any better?

Into the technical difficulties of levying such taxation we need not enter. They have been exhaustively reviewed by more than one official body of investigators, and no scheme has yet stood the test applied by those who have special knowledge of the subject. Some of these were mentioned at the Conference. Can income be localised? Can local machinery for assessment or collection be devised? If levied and assessed on the same figures as the income nationally taxed, what limit is to be placed on the local tax? Are local rates to be abolished, or retained to carry part of the cost of local government? If so, how much, or what part, or for what services?

Let us repress our inquisitiveness, and assume that all these problems are soluble. What would be the effect on the proceeds of the national tax. The present demand of 4s. 6d. in the pound discourages many from making the maximum effort; the graduated scale upwards on personal incomes causes many to ask themselves is it worth while straining every effort to add to one's substantial income, to secure only about 50 per cent. of it? How much would be left with a local income tax?

It is commonly said that new income leads only to new expenditure, and not a reduced or less heavily felt burden by a wider incidence and better distribution. Some think that we have of late years reached the limit of local taxation, and must realise that the communal purse demands assistance, not by drafts from other pockets, but by a realisation that no more public services can be undertaken by the community, and that even the present responsibilities of town councils or district or county councils should be reduced. If this view be sound, and it has strong support on examining the evidence, it will be perceived that a local income tax, even if practicable, would represent a policy fundamentally unsound and likely to damage industry while failing to relieve the ratepayer, on the long view. Taxation and economics are twin terms.

What do our members, skilled in the science of economics, think about it? Have we any data to show the relative incidence of local rates on the one hand, and income tax on the other, on a typical manufactory, professional man, or manual worker, for example? What would be the influence on trade or business of a local income tax? Does anyone know if German data is available from pre-war times when German towns added a local tax levy to the State tax. We can at least inquire, but as professional accountants, observing the crippling effects of taxation on bad trade and falling profits, it is

natural to confess our uneasiness in view of projects for a local income tax.

Mr. Allcock's paper is not only topical; it is one which stirs up thought.

An Income Tax "Succession" Case.

THE case of *Thomson & Balfour*, very recently decided in the Court of Exchequer in Scotland, conveys some lessons. The Inspector of Taxes maintained that that firm fell to be assessed on the average of their own trading plus the average of the business of Mickel & Co., to which he said that Thomson & Balfour had succeeded. This the latter denied, but first the Special Commissioners, and now the Court of Exchequer, have decided against them. There certainly had been a purchase, but what the appellants tried to maintain was that in substance they had bought only additional buildings which they required for their trade in view of the destruction by fire of a large part of their own premises. They thus tried to compare this case with the decision which held that the mere purchase of its only ship from a single-ship company does not necessarily make a succession, even though the sellers simultaneously go out of business. The appellants had also a separate contention to the effect that they did not know the particulars of the sellers' profits and assessments during the years of average, and that under the terms of the sale and purchase they had no right to obtain such information nor any documents bearing on it.

In this case it happened that the succession basis was against the interest of the purchasers, as the vendors had evidently been making profits; but it might have been the other way about, and in this particular case it certainly is a reasonable inference that the actual transaction which took place would have been carried through all the same, and at the same price, irrespective of the financial results of the vendors' trading during the three preceding years.

The purchasers and appellants were timber importers and sawyers, while the vendors' real business was that of manufacturing doors, windows, &c., to be sold to builders. The premises of the two firms were about half a mile apart. In 1919 it was cheaper for the appellants to buy existing premises than to build. What they substantially wanted was the premises of Mickel & Co., and they made no investigation into profits, got delivery of no books, collected no debts, obtained no list of customers, and no orders since 1919 could be traced to the influence of Mickel & Co. Both firms had the premises of Mickel & Co. separately valued; both valuers reported about £12,250, and the price was fixed at £12,000. The purchasers did continue to employ some of the sellers' workers, but no manager, clerks or travellers.

These are no doubt important facts. But then there was another aspect. The contract of sale, embodied only in letters between the solicitors,

made it express that the sale included the goodwill; the sellers were to help in development, and there was a five years contract against local competition. The purchasers issued a circular to all local authorities and joiners in Scotland, stating that they were to "add" to their business "the important branch" of manufacturing doors, windows, &c., of which the sellers had made "a speciality," and asking for support in their "new venture." The sellers also issued a circular to the same people, soliciting support for their "successors." No doubt this last word reads awkwardly, but it is not necessarily conclusive. It was common ground that the appellants were successors in the ownership of the premises, but the question was about succession in the business. Here, however, we have a request for continuance to the "successors" of the good relations with "customers."

On the whole matter we do not see how the case could be decided in any way other than in favour of succession and of the Inland Revenue. It certainly is very awkward that the purchasers have not the information and evidence required to enable them to check the new assessments for the three years after the purchase. We are not at all clear that the right to force the sellers to give up all such information and evidence is not implied. It might have been made express in the contract, but then that might have been thought to deprive the purchasers of their only hope of disputing assessments on the succession basis. It would appear that the genuine position at the time was the urgency of acquiring new premises, and that anything and everything else was so entirely subordinate as to call for, and receive, no consideration at all.

We refer again to the case where vendors may have had bad years. In a case like that the matter of succession and income tax rights ought to receive careful consideration. These bad years become an asset to be made something of in one way or another. One way is by the making of any repayment claim which may be open to the liquidator or trustee or to the vendors themselves. In that case the sale contract should expressly reserve and exclude all such benefit in any form. Another way is by augmenting the price in view of the fact that the purchasers will be able to reduce their own *plus* average by the sellers' *minus* average for income tax for three years. In this case the contract should again be clear and express, and the advisers of the purchasers must be careful to satisfy themselves that the facts amount to a business succession as the Inland Revenue Department would be ready enough to argue the contrary of this recent Scottish case if in other circumstances it suited them to do so.

R.N.R. ACCOUNTANT OFFICERS.

The next annual dinner will be held on Friday, January 18th, 1924, at Prince's Restaurant, Piccadilly, London, W.

It is hoped there will be a large gathering of the present and past Accountant Officers (R.N.R.)

Further particulars and tickets, price 15s., may be obtained from the Hon. Secretary, Paymaster-Commander A. F. Stoy, R.D., R.N.R., 103, Cannon Street, E.C., or Paymaster-Lieut. A. A. Garrett, R.N.R., 50, Gresham Street, E.C.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held in the Council Chamber, 50, Gresham Street, London, E.C., on Wednesday, November 7th, when there were present:—Mr. G. S. Pitt (London), President, in the chair; Mr. J. W. Blackham (Birmingham), Mr. E. W. E. Blandford (London), Mr. W. Claridge, M.A., J.P. (Bradford), Mr. J. M. Fells, C.B.E. (London), Mr. A. E. Green (London), Lieut.-Colonel James Grimwood, C.B., D.S.O. (London), Mr. T. Keens (Luton), Sir James Martin, J.P. (London), Mr. Henry Morgan (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. A. E. Piggott (Manchester), Mr. G. E. Pike (London), Mr. Alan Standing (Liverpool), Mr. Henry Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. F. Walmsley, J.P. (Manchester), Mr. W. T. Walton, J.P. (West Hartlepool), Mr. E. Whittaker, J.P. (Southampton), Mr. W. McIntosh Whyte (London), Mr. A. E. Woodington (London), and Mr. A. A. Garrett, B.Sc., Secretary.

Apologies for non-attendance were received from the Vice-President, Major G. A. Evans (Cardiff), and Mr. D. Hill Jack, J.P. (Glasgow), absent through illness; Mr. D. E. Campbell (Wolverhampton), Mr. R. Smith (Newcastle-on-Tyne), Mr. F. Ogden Whiteley, O.B.E. (Bradford), and Sir Charles H. Wilson, LL.D., J.P. (Leeds).

The minutes of the respective Committees were confirmed.

A letter was read from Mr. W. J. Ford (Bristol) resigning his seat as a member of the Council. The resignation was accepted with regret.

MISUSE OF DESIGNATION "INCORPORATED ACCOUNTANT."

The Secretary reported a case of the infringement of the use of the Society's designation, which was dealt with by the Society's solicitors.

AUTUMNAL CONFERENCE, 1924.

The Council received an invitation from the Yorkshire members to hold a Conference in Leeds in the autumn of 1924. The Secretary was instructed to convey the thanks of the Council to the Yorkshire members for their cordial invitation, which it was resolved to accept.

BYE-LAWS.

The Council adopted a report from the Articles and Bye-Laws Committee, approving new draft bye-laws in accordance with the resolution passed at the last meeting of the Council.

(Extracts from the new bye-laws are set out on page 70.)

A large amount of other important business was dealt with.

Changes and Removals.

Mr. Ernest Carter, Incorporated Accountant, has commenced public practice at 2, Barstow Square, Wakefield.

Messrs. Cole, Dickin & Hills, announce that they have opened a branch office at 22, St. Andrew's Street, Cambridge, and have entered into a local partnership with Mr. G. H. Lewis, Incorporated Accountant. The Cambridge firm will be known as Cole, Dickin, Lewis & Co.

Messrs. B. de V. Hardcastle, Burt n & Co., Incorporated Accountants, have removed to Coventry House, South Place, Moorgate, London, E.C.

Mr. F. E. Hatfield, Incorporated Accountant, has commenced public practice at 9/10, Paneras Lane, London, E.C.

Messrs. Ernest Holbrook & Co., Incorporated Accountants, have removed to 24/5, Western Mail Chambers, St. Mary Street, Cardiff.

Mr. Maurice Thompson, Incorporated Accountant, has removed to 34, Avenue Chambers, Bloomsbury Square, London, W.C.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

BAIRD, SAMUEL (James Baird & Co), 75, High Street, Belfast, Practising Accountant.

BROWN, WILLIAM ERNEST HONEYMAN, F.C.A. (J. W. Barratt and Co.), 19A, Coleman Street, London, E.C., Practising Accountant.

CLARKE, THOMAS EDWARD (Henry Bradfield & Sons), 13, St. Peter's Gate, Nottingham, Practising Accountant.

HANDS, PHILIP ALBERT MYBURGH, Major, B.A., D.S.O., M.C. (Hands & Shore), 108, St. George's Street, Cape Town, Practising Accountant.

MCCARTHY, CHARLES PATRICK, M.Comm. (A. J. Maggenis & Co.), 50, South Mall, Cork, Practising Accountant.

PERKINS, HENRY HERBERT WEBB (Perkins, Copeland & Co.), Bolton Chambers, 7, Bolton Road, Eastbourne, Practising Accountant.

RAYNHAM, EUSTACE HERBERT (Salisbury, Beaton & Raynham), 9 and 11, Cheapside, Kimberley, South Africa, Practising Accountant.

STEEL, THOMAS NORMAN (T. N. Steel & Co.), 24, Vance's Chambers, Cloth Hall Street, Huddersfield, Practising Accountant.

ASSOCIATES.

BETTISON, CECIL MAURICE, Clerk to Deloitte, Plender, Griffiths, Annan & Co., Norwich Union Buildings, St. George's Street, Cape Town.

CHARLESWORTH, DAVID HAROLD, Borough Treasurer's Department, Town Hall, Stoke-on-Trent.

CLARKE, WILLIAM ROBERT, Clerk to J. A. Kinnear, 8, Westmoreland Street, Dublin.

COOKE, GEORGE EDGAR, Clerk to Groome & Ramsdale, 21, Spring Gardens, Manchester.

DUNCAN, HORACE DENOON, Clerk to Douglas, MacKelvie & Co., Dominion House, 141, Longmarket Street, Cape Town.

HILTON, ROBERT GORDON, Clerk to Sir Charles H. Wilson, Wilson's Chambers, 7, Greek Street, Leeds.

JAMES, SAMUEL, Clerk to De Westley Layton, 51, Fenchurch Street, London, E.C.

MARSHALL, WILLIAM EDGAR, Clerk to Stanley Blythen, 12, Low Pavement, Nottingham.

MUKHERJI, SATYENDRA NATH, Clerk to S. K. Day & Co., Lindlie Chambers, 6, Hastings Street, Calcutta.

NICHOLAS, MARSHALL, A.C.A. (S. W. Marshall & Co.), 1, West Terrace, Folkestone, Practising Accountant.

RILEY, ARTHUR HERBERT, Clerk to G. E. McCanlis & Co., 9/15, Oxford House, Oxford Street, London, W.C.

ROBERTSON, THOMAS JAMES, Clerk to Alexander Hannah, May Buildings, 51, North John Street, Liverpool.

SMITH, ROBERT, City Chamberlain's Office, Glasgow.

TREND, LIONEL CONNOR WAITE, Clerk to Hughes & Allen, 67, Basinghall Street, London, E.C.

WALTER, ELWYN HENRY, 84, St. George's Street, Cape Town, Practising Accountant.

SOUTH WALES AND MONMOUTHSHIRE INCORPORATED ACCOUNTANTS.

Address to Students by Mr. Richd. Leyshon, F.S.A.A.

(On the opening of the 1923-24 Session).

I have been asked to say a few words to the students this evening by way of counsel and encouragement at the beginning of a new session. Two things are needed for success: a keen interest in your work, and determination to get on.

As accountants we are alive to the value of interrupting periodically the daily routine for the purpose of stocktaking and for drawing up accounts in order that a clear knowledge of the progress of business during the accounting period may be obtained. I want to suggest that this, the opening night of a new winter session, is a very suitable time for a mental stocktaking; that you, too, should pause and think over the part of your course which is already completed—that you should consider the goal you have in view, and the methods most likely to assist you to obtain it.

I do not think I could do better at the outset than to suggest as a motto to keep before you the well known words of the Apostle Paul, "So run that ye may obtain." You would not expect a competitor in a race, where speed was everything, to start encumbered with a heavy overcoat and other impedimenta that would hamper his progress. He would put such aside and direct the whole of his physical and mental energy to the single purpose of gaining the prize. Apply this illustration to your present position as students of this Society. Your aim, I imagine, is to make such use of your capabilities and opportunities as will enable you to complete your course of studies successfully and with distinction. You will have to make up your mind that no examination worthy of the name can be negotiated successfully without perseverance and application, and you must be willing to give up everything that would interfere with the attainment of your object. Just as a man training for a race diets himself, gives up smoking, and abstains from many things otherwise quite legitimate, until the race is over, so the student who is the most likely to do well is the one who is able to put first things first; who is willing, if need be, to sacrifice his cricket, football, or any other pursuit, however good it may be in itself, if it is likely to hamper his progress and jeopardise his chances in the examination.

It is one of the attributes of youth to indulge in the foolish and futile habit of railing at examinations and at examiners, as though the examination system were an obstruction which had been erected arbitrarily, a kind of hurdle which had been placed in the way by officials of the Society.

Our examinations, however, are tests not only of academic and technical knowledge, but of a man's practical qualifications for the life of a professional accountant. It is begging the issue to say that success in the examination room is entirely a matter of temperament, that some students are naturally good at examinations, while others are prone to give way to nerves and to forget what they really know very well, and to argue, therefore, that examinations are of no practical value for business life and that preparation for them should be rushed through in the easiest and quickest way possible. Even educational experts allow themselves—particularly in after-dinner speeches—to rail at the examination system.

If you will stop to think about it, you will see that there is something to be said for examinations, in that they are a real test of those qualities of receptivity and alertness which are invaluable in the daily life of a practising accountant. You will find that the man who gives way to nerves and loses his head in the examination room will do exactly the same thing, and experience exactly the same feeling, when one day, as he sits in a board room with a body of directors, he is called upon unexpectedly, to form and express an opinion on some delicate and probably very important matters which have suddenly come up for settlement. The conditions of business, in fact, call for the exercise in sudden and often quite unexpected emergencies of those very qualities of

self-control, quickness of appreciation, exactness of knowledge, and understanding of principles, which it is the aim of the examination room to test, and the man who cannot express himself clearly with adequate knowledge and practical common sense in the one case not infrequently fails similarly in the other.

There is a further and even more important reason for real self-sacrificing work in your studies which perhaps you have not thought about. Every thought and every act of yours is in a real sense reacting upon your personality, and leaving an indelible impress upon your character. To a very great extent you are the architects of your own character—you are making yourselves. But what sort of a self are you making? Let a young man through his growing years cultivate a habit of rushing through his work, regarding it as a more or less necessary evil, taking the easiest way possible, which usually means working carelessly and thoughtlessly, and always means doing something less than his best, and in the course of a few years he will find it very difficult to do anything else—besides having made it difficult for other people to believe that he is capable of anything better.

There is a penalty inseparable from all half-done work, not a penalty attached arbitrarily to it, but a penalty contained in the very doing, whereby the character of the doer is fashioned in its own image after its own likeness. Believe me—and as you know I speak from many years of close observation of life—in the long run a man does not succeed in business or in anything else worth while owing to outside influence, or because of some fortunate chance, but by the exercise of those qualities of thoroughness, efficiency and self-sacrifice which he has been cultivating during the period of conscientious preparation and which will enable him to acquit himself creditably before the examiners. It gives you pleasure to see your name in the list of successful candidates. It does not get there by magic or by chance just because you have entered as a candidate for the examination. It appears as a result of your own determined effort and unsparing application. The object of the questions set in the examination is not to baffle you, but to enable you to demonstrate your fitness for admission as a duly qualified accountant, who is likely to be a credit to the profession. There are no short cuts to achievement, no royal roads to success. It is far better to be well grounded in the subjects essential to the profession than to be hurriedly crammed for the examination, for those who have not mastered their subject intelligently are liable to bring both themselves and their profession into discredit.

My advice, then, with regard to examinations, as well as for after life, is to walk up to your hurdles, examine them, retire the necessary number of steps, and then take them. The wrong methods are to attempt to try them without inspection, or to walk up to them and try to climb over the barbed wire which is almost sure to be there. With the alertness and confidence engendered by wise training there is little danger of failure through loss of nerve.

I regret to note the apathy of some of the younger members in attending lectures. The subjects dealt with in these lectures are of the utmost importance in accountancy, and in the commercial world generally, even though they may not in all cases actually form part of the examination syllabus.

The "man in the street" is apt to think of an accountant as a kind of glorified book-keeper, a poor caricature to anybody who knows the ideals of the profession. If I were asked to specify the chief qualification of an accountant I should answer "precision," a term which conveys primarily the idea of accuracy in thought and action. Nimbleness in figures is essential. It represents the more mechanical side of your training, though I would warn you not to rely upon it exclusively. With it should go the perception of facts and tendencies which figures connote. If you are going to seek for success in life beyond that of the average book-keeper, you must recognise that in these days of keen and increasing competition the only way to attain it is by cultivating on the one hand a wide general knowledge of commercial matters, and on the other by becoming an acknowledged expert in your own particular subject. If you claim to be taken seriously as an expert you must be capable of, and must habitually exercise, a great deal more than ordinary efficiency.

A many-sided and well-read accountant should prove himself a more serviceable member of his profession than one

less sensitive to impressions. May I illustrate my statement from every-day experience of leaders in commerce and industry? They will tell you that in the selection of men to occupy important positions they have regard not alone to acquired knowledge, but to the ability of applicants to estimate new facts and situations speedily and correctly, and to draw deductions from them as to the reasonable probabilities of further development. It may be retorted that the acquisition of knowledge is not invariably followed by a quickening of the intelligence and the ability to perceive facts in true focus. There are exceptions to every rule, but I speak of men in the bulk and of the categories in which they are placed by men accustomed to judge by results. It is for this reason that I counsel you not to commit the tragic mistake of regarding your education as concluded when you have passed your examinations. Rather you should regard it as promotion to a higher rank in which you have yet to win your spurs. Every member of this Society should make it his practice to have a first-class book at home available for reading as and when time permits. The steps up the hill of endeavour may appear to him slow at first, but his friends as well as he himself will judge how considerable is the altitude he reaches as time proceeds. Every man to his taste, but you have a great wealth of choice from which to make your selection, though I doubt if there is any subject that will appeal more strongly to you than some well-written book of history or jurisprudence. Of one thing I can assure you, that in many an unexpected corner you will find keys to explain your present day problems. Human nature has not changed. You inherit wonderful treasures on which you would do well to set high store. They are capable of greatly enriching your life, and I beg of you to lose no time in searching them out. Such books, by developing a man's capacity, enable him to serve his day and generation in a measure otherwise impossible.

By attending the lectures of the Society regularly, and following them intelligently, new fields of knowledge and interest will be opened up to you, and by taking an active part in the discussions you will develop the capacity of expressing your thoughts clearly and concisely, both orally and on paper, an accomplishment which will stand you in good stead not only in the examination room but through life. It is within my own knowledge that several very capable accountants who knew their work thoroughly, repeatedly failed in their examinations through lack of this sort of training. You cannot get a field of corn unless the seed be first sown. Neither will knowledge come of itself. It can be acquired only by diligent application. Just as you cannot expect to be able to give out in the examination room what you have not first taken in, so you cannot present your case to advantage without a good deal of practice.

Aim high in entering for your examination. Do not go in merely with the object of just getting through, but aim at getting the first place in the honours list. You will remind me that the examination standard is being progressively raised, that it is becoming harder and harder to pass the examinations, but on the other hand you have not perhaps remembered that the more searching ordeal is compensated for by the fact that professional literature and examination helps have steadily become more and more adequate; perhaps it may be said that they have more than kept pace with the increasing stringency of the examinations.

To encourage you in your efforts it has been decided to offer prizes to those students in this District Society who obtain the two highest places in the honours list. Three prizes will also be offered in connection with the three classes shown on the syllabus. With these incentives before you I hope to see you eager to be on your feet, reading a paper or making a speech, that will not only be an education to yourselves, but an encouragement to your fellow students. The sooner a start is made on these lines, the quicker will be your mastery of the various subjects. It is hoped the prizes will prove an additional incentive to all to apply themselves earnestly to their studies and to attend the lectures, and I trust that my remarks may encourage you to diligent perseverance during the less interesting period of your studies so that these may not be unnecessarily protracted, but that at the very first attempt in each grade of your examinations you may have the satisfaction of seeing your name included amongst those who have taken heed to the motto "So run that ye may obtain."

USE OF AUDITORS' NAME WITHOUT AUTHORITY.

In the King's Bench Division, before Mr. Justice Darling and a special jury, an action was brought by *Prosperity Limited* against the *Financial News Limited*, for damages for alleged libel. The plaintiffs carry on business at Victoria Street, S.W., and the alleged libel was in the *Financial News* of February 20th, 1923. (Messrs. Singleton, Fabian & Co., Chartered Accountants, were defendants to a second action by the same plaintiffs.) Mr. P. Conway represented the plaintiffs, and Mr. Barrington Ward, K.C., and Mr. Cartwright Sharp were for defendants. The defendants denied the words were defamatory and they pleaded fair comment and no malice.

Mr. Conway said the libel alleged here suggested in effect that plaintiffs had used the names of Singleton, Fabian & Co., who were well known accountants (and defendants in a second action) as their auditors without authority. The libel complained of was in a leading article in the *Financial News* headed "Without Authority," and it ran:—

"The issue of prospectuses and similar documents in which the names of bankers, solicitors and others are used without their authorisation is not uncommon, and the practice would seem to be on the increase. We congratulate Messrs. Singleton, Fabian & Co., the well known Chartered Accountants, on their being so prompt to disavow their connection with *Prosperity Limited*, an undertaking of the snowball type, which had issued a pamphlet using their name as auditors of the company, although they 'knew nothing of the schemes referred to therein.' The company has now given an undertaking to withdraw all unissued copies of the document in question and to make no further use of the name of the firm, a disclaimer on whose part we published yesterday. In that statement Messrs. Singleton, Fabian & Co. explicitly announced that they had no desire to comment on the pamphlet. Nor have we for the moment any intention of discussing the merits or demerits of the scheme which is described. But it is clear that persons asking the public for money should observe the formality of obtaining a proper authorisation for the employment of the name of any firm, individual, or bank stated to be associated with them. Messrs. Singleton, Fabian & Co. had taken the right course by issuing an immediate *dementi*, and we trust that the moral of the affair will not be overlooked."

Mr. Conway said these words conveyed that plaintiffs had incorrectly advertised that Singleton, Fabian & Co. were their auditors, but the fact was Singleton, Fabian & Co. had acted as their auditors. The legal notice of disavowal by Singleton, Fabian & Co. to which the article had reference was in the form of a legal notice in the advertisement columns of the *Financial News*, signed by Taylor, Humbert & Co., solicitors, and it was to the effect that the attention of Singleton, Fabian & Co., of Staple Inn and Clements Lane, had been drawn to a pamphlet of the plaintiffs in which their name appeared as auditors to the plaintiff company. Singleton, Fabian & Co. knew nothing of the schemes referred to and the pamphlet was issued without their knowledge. Singleton, Fabian & Co. had not been asked to consent to their name being given as the auditors, but it was quite untrue to say that they were not plaintiffs' auditors. It was an unusual proposition to him (added Mr. Conway) that plaintiffs should have to ask the permission of anybody to say that which was true.

Dealing with plaintiffs' scheme Mr. Conway said that in April, 1922, there was a gentleman named Power who, as a result of a holiday on the Riviera or at Monte Carlo, conceived the idea of interesting the British public, assisting charity, and incidentally making some money. The scheme was of the kind known as a "snowball scheme." In brief, a person paid 35s., and in return got an endowment policy as to 16s. out of the 35s., 5s. went to plaintiffs' company for administrative expenses, and 14s. went in the payment of commissions to precedent people who were called ancestors. Mr. Conway said that under the scheme the ancestors were charities. The scheme was perfectly legal in every way, there were subscribers from all parts, and a profit resulted to the company until certain newspaper criticisms appeared.

Mr. Richard Fitz Power, managing director of the plaintiff company, deposed that he had a holiday in March, 1922, at

Monte Carlo that led him to formulate the scheme. He was rather impressed by the strange fact that so many English people should be there when we were supposed to be the most thrifty nation, and his idea was to combine these two apparently contradictory traits. Mr. Power said he had certain conversations with Mr. Tilley, of Singleton, Fabian & Co., before the formal launching of the scheme in January last, which led to Mr. Tilley agreeing to take the audit. In February Mr. Fabian intimated that he did not like the name of his firm appearing on the pamphlet, and witness at once agreed that it should be taken off. Subsequently the legal notices appeared. Witness complained to Mr. Fabian that the notices were calculated to do harm, as they suggested the firm knew nothing of the scheme. Mr. Fabian asked "When were we consulted about it?" and witness said he had seen Mr. A. E. Tilley several times. Witness asked the firm to remain auditors, and they said they would consult their solicitors about it.

Cross examined by Mr. Barrington Ward, K.C., witness did not agree that the plaintiffs' scheme was condemned by the whole Press of England.

Do you suggest that it was our article that let the scheme down?—Yes, that and the notice by Singleton, Fabian & Co. Do you say the whole of the Press of England had no effect on your scheme?—Witness repeated the view that it was the defendants' notice and the action of the accountants that was responsible. Counsel suggested that the very title, "snow-ball scheme," conveyed that it was a flat catching plan. Witness said he did not accept this view; he put the name of Singleton, Fabian & Co. on the pamphlet because they were their auditors.

Had they ever held an audit of your company in their lives?—No!

Don't you think you should have asked them before using their name?—They were our auditors. He agreed that if the name of well known Chartered Accountants was given on the pamphlet it indicated that the firm approved of the scheme. That would be serious if it was incorrect, but in this instance the accountants knew of the plan and were their auditors.

Mr. F. Arthur Vincent, living at Kensington, gave evidence that from February 5th to April 13th he was the manager of the plaintiffs' company. On February 20th there was an interview at the offices of Singleton, Fabian & Co., at which he and Mr. Power were present, and Mr. Fabian and two gentlemen of the name of Tilley. Mr. Power complained about the misleading statements in the "legal notice" that had been advertised in the Press, and said that the plaintiffs had been asked what they meant by using names of auditors when they were not the plaintiffs' auditors. Witness suggested by way of compromise that Singleton, Fabian & Co. should continue to be the plaintiffs' auditors, but plaintiffs should abide by their decision that their name should not be given on the pamphlets. Mr. Fabian objected to that, but the sending of a draft letter was suggested that plaintiffs could use although not publish. Witness said that would not satisfy their subscribers, and publicity would be necessary. Mr. Fabian would not agree to that or to his firm remaining as auditors.

Mr. Barrington Ward, K.C., opening the defence, said the matters involved here were of public interest, and defendants were entitled to make fair comment on accurate facts. If the use of the name of Singleton, Fabian & Co. was unauthorised, then he would submit that comment was fair. The firm of Singleton, Fabian & Co. were never consulted about the use of their name. The truth was that Mr. J. P. Tilley, to whom the scheme was introduced, turned it down. The only agreement was to act as auditors of the private company, not to be auditors in relation to the financial scheme. The defendants' criticism was moderate, reasonable, and temperate.

Mr. James Fabian, senior partner of the firm of Singleton, Fabian & Co., gave evidence that the two Messrs. Tilley were the other partners in the firm. Their names could not be mentioned as auditors on a public document without assent of all the partners. He first heard of Prosperity Limited when his attention was called to the use of the firm's name on the pamphlet. At the interview with Mr. Power the latter apologised for using the firm's name and made the remark that Singleton, Fabian & Co. had been their auditors. Mr. Power and Mr. Vincent both pressed him to get them out of

the difficulty by remaining auditors, but witness declined to do so.

Cross-examined: If his firm were auditors to a private company he would not expect their name to be used by them without permission.

You do not suggest there is a legal obligation on a client who has the fortune to have your services as auditors to ask permission of such a use of your name?—I should retire if I found anybody using it.

Mr. Fabian said that what he objected to was the use of the firm's name as auditors to the scheme.

Mr. Fabian, in cross-examination said he would be prepared to audit the accounts of a private bookmaker, but not if it was a bookmakers' limited company.

Replying to his Lordship, he would certainly be willing to audit the accounts of the Postmaster-General.

Mr. Justice Darling: You know he makes a lot of money out of bookmakers' telegrams.

Mr. Fabian said that the effect of putting the firm's name as auditors on the document was to suggest that they approved the plaintiffs' scheme.

After further evidence, Mr. Justice Darling summed up the case.

His Lordship reminded the jury that the action was by Prosperity Limited, and not by Mr. Power. The words complained of were capable of being a libel, but the jury had to say if they were a libel on the plaintiffs. The matters commented on were of public interest and therefore the right of comment existed, but the comment must be fair. Fair comment was such that a right minded person not acting maliciously might make. Take for example the matter of the Ruhr occupation. Some said it was a monstrous thing, and others took a different view. Yet both comments might be fair. It did not matter whether the jury would have expressed views similar or dissimilar to those of the defendants, so long as the comment was fair. The defendants' article was a comment upon the legal notice inserted for Singleton, Fabian & Co. in the advertisement columns. The defendants were entitled to comment, but they must not misstate the facts. The plaintiffs were suing Singleton, Fabian & Co. for damages in the next action before the Court. The view of the auditors was that their name should not be put on the pamphlet without their consent, and Mr. Power had acknowledged that this had been done. This led to the issue of legal notice, and defendants' case was that they had truly stated all the facts on which they commented. Many papers ridiculed plaintiffs' scheme before the appearance of the defendants' article.

His Lordship said the questions for the jury would be:—

- (1) Were the words complained of a libel on the plaintiffs?
- (2) Were the words complained of fair and *bona fide* comment on a matter of public interest?
- (3) In so far as the words complained of consisted of allegations of fact, were they true in substance and in fact?

Mr. Barrington Ward, K.C., asked that the question should be left to the jury:—

Did Singleton, Fabian & Co. in fact authorise the use of their name as auditors or at all in connection with the scheme contained in the pamphlet entitled "Prosperity Limited."

His Lordship consented to this.

Mr. Conway asked that the jury should be asked to say: "Were Singleton, Fabian & Co. auditors to the plaintiffs' company?"

His Lordship said he did not consider it necessary.

Mr. Barrington Ward said he would admit that they were. The jury answered the questions as follows:—

- (1) No. (2) Yes. (3) Yes. (4) No.

Upon these answers judgment was entered for defendants with costs, and an application by Mr. Conway for a stay of execution was refused.

His Lordship said the jury had found that the words were not a libel on the plaintiffs, and that covered everything.

The action by Prosperity Limited against Singleton, Fabian and Co. was subsequently dropped.

INCOME TAX.

METHODS OF ASSESSMENT OF SHIPPING.

The Imperial Shipping Committee appointed by the Government have now issued their report on the methods of assessment of shipping to income tax within the Empire. In their preliminary observations the Committee state that they are not clear that it is within the terms of their reference to examine the question from the point of view of theoretical equity, and that they have, therefore, approached the matter from the standpoint of practical grievances. They have had the assistance of officials of the Inland Revenue and believe that their statement of the law and practice in the different parts of the Empire is correct.

Their report is made after having examined various witnesses representative of the shipping industry. The following is a general statement of the conclusions they have arrived at as to the practice prevailing in the various parts of the Empire with regard to the assessment of shipping, together with a summary of the complaint of the shipowners, the suggested remedies and a statement of the conclusions of the Committee.

Methods of Assessment within the Empire.

United Kingdom.*—The United Kingdom income tax code includes a charge in respect of the annual profits or gains arising or accruing to any person non-resident in the United Kingdom from any trade exercised within the United Kingdom. He is not, however, charged if he carries on business with the United Kingdom and not in it. It has not been the practice to claim income tax on the profits arising from freights obtained in a British port by a foreign tramp steamer making a casual call or on profits arising to a non-resident shipowner from the letting of vessels on charter to a British resident. Where, however, a non-resident shipping company maintains a regular service with United Kingdom ports and has a United Kingdom agency, the profits made in the United Kingdom are chargeable. The determination of the amount of these profits is in the hands of the various bodies of Income Tax Commissioners, subject to the right of appeal to the High Court on a point of law. As the non-resident shipowner has frequently found it difficult to produce satisfactory evidence as to the precise amount of his profits, the Commissioners have, in certain cases, computed these profits on a percentage or other analogous basis. There is no prescribed method in this matter, and each individual case is left to be determined upon its merits by the body of Income Tax Commissioners concerned. The Commissioners have occasionally found it convenient to calculate such profits in accordance with the following formula:—

As gross receipts of the whole concern are to profits of the whole concern so are gross receipts earned in the United Kingdom to profits assessable to United Kingdom income tax.

Canada.—In Canada there is no Dominion taxation of non-resident shipowners. In British Columbia there is power under the local Acts to levy on an assumed profit of 2 per cent. of freights and passage money, but this power does not appear to have been exercised.

Australia.—In the case of a non-resident shipowner, the Federal Act assumes an Australian profit equal to 10 per cent.† of the amount received for freight, passengers and mails shipped at Australian ports for carriage overseas. The taxation is applicable to both liners and tramps and is accompanied by power to refuse clearance of a ship until the tax is paid, or satisfactory arrangements made for its payment. Similar conditions apply generally as regards the State taxation, but the percentage in this case is 5 per cent. There is no option under the Federal Act, or under the Acts of the separate States, of claiming an assessment on realised profits. In West Australia, as the law is drawn, a shipowner is taxed on an assumed net income of 5 per cent. of the gross proceeds of all inward and outward traffic, but it is stated that in practice the assessment is based on the outward traffic only.

*The United Kingdom is used in this report for Great Britain and Northern Ireland.

†It is understood that this percentage has been reduced to 7½ per cent.

New Zealand.—Non-resident shipowners are taxable on the income derived from New Zealand. Absentee shipowners and charterers may be assessed through the masters of their ships as their agents, and the clearance of a ship may be withheld pending payment of tax. The law applies to both liners and tramps.

South Africa.—Until recently the non-resident shipowner was assessed on an assumed profit of 5 per cent. of the outward freight and passage money, but now he is given the option either of an assessment on an assumed profit of 10 per cent. of outward freights and passage money, or of an assessment based on realised profits. The tax is applicable to both liners and tramps, and powers exist to refuse clearance of a ship until the tax is paid or payment provided for.

The Irish Free State.—It is understood that at present the United Kingdom law and practice are followed.

Newfoundland.—The non-resident shipowner, like other non-resident traders, is liable in respect of the net profit arising from his business in Newfoundland. Powers exist, however, to exempt the income of any shipping company documented under the laws of a foreign country, which country grants an equivalent exemption to shipping companies domiciled in Newfoundland.

India.—Where the Indian profits of shipping companies can be definitely ascertained, these profits are taken for the determination of the amount of tax payable. In other cases profits may be estimated at such percentage of the turnover as may be considered to be reasonable, or on an amount which bears the same proportion to the total profits of the business as the receipts accruing in India bear to the total receipts of the business. In the case of tramps, an Act of 1923 provides that where owners or charterers have no recognised agent in India assessment is to be made on 5 per cent. of the freight and passage money, and that clearance may be refused until the tax is paid. The owner of a tramp may, however, claim in the following year that assessment be made of his profits in the previous year as estimated by the methods cited above, and that any tax overpaid be refunded to him.

Colonies and Protectorates.—Many Colonies and Protectorates have no Income Tax. Where it exists shipping has in some important instances been charged on an assumed profit of certain percentages of outward freights and passage money. In Fiji, the tax is levied not on a percentage, but at a flat rate on the total receipts of the outgoing business. These methods are, however, gradually being replaced by a tax on realised profits. A Committee* which reported in 1922 prepared a Model Ordinance in which shipping is taxed on this basis. This Ordinance has been adopted in Trinidad and will probably become law elsewhere before long. In St. Lucia and Seychelles exemption is expressly given to non-resident shipping companies by the local laws.

The foregoing paragraphs make it plain that there are wide differences in the assessment of non-resident shipping within the Empire.

The Shipowners' Complaint.

We shall not attempt to cover in detail the case put forward by the shipowners. Full particulars will be found in the Appendices. Broadly speaking, they allege that it is impossible to apportion their profits as between the several countries to which they trade. From this standpoint, their case falls under the following three heads:—

- (1) The arbitrary nature of a tax levied on a certain percentage of gross receipts.
- (2) The loss of time and labour and the expense involved, where the tax is leviable not on such a percentage, but on net profits, owing to the different methods of assessment in the various countries to which a shipowner may trade.
- (3) The difficulties experienced in obtaining relief from the double payment of income tax and the inadequacy of the relief when obtained.

(1) **Objections to the Method of Arbitrary Assessment.**—The shipowners claim that a tax on certain percentages of receipts is in effect not an income tax, but a tax on turnover; it assumes a fixed relation between profits and turnover which

*See Report of Inter-departmental Committee on Income Tax in Colonies and Protectorates not possessing responsible Government. (Cmd. 1788.)

does not exist. Moreover this assumption is made not even in regard to the receipts from a round voyage but in regard to the takings at a particular port. Shipowners contend that the profits of a vessel can only be determined in relation to the round voyage, anything less being an incomplete transaction. There is no certainty that even a completed voyage will, in every case, show a profit, and the shipowner may therefore have been taxed at one or more points of a voyage which as a whole has involved him in loss. Where liners are concerned it is urged that the total business for the year must be taken into account, since trade on most routes is seasonal in its nature and the busy season must be balanced with the slack.

It has been pointed out to us that where a percentage charge by way of tax is made upon the freight and fares from a given port, that charge becomes almost inevitably a part of the port charges, which charges are always taken into account by a shipowner when comparing the competitive value of the various freights open to him. Such a tax may in fact act as a repellant, reducing the amount of tonnage offering at a given port as compared with other ports, and thus placing the producers who ship through that port at a disadvantage with other producers in the world market.

(2) *Difficulties involved in Furnishing Returns when Assessed on Realised Profits.*—While shipowners thus strongly object to the method of assuming a percentage of profits from the turnover at each port, they are also much exercised by the difficulties involved in the multiple assessment of realised profits. Most of the inconvenience that they have as yet experienced in this connection has arisen in the United States, and a description of the difficulties there will be found in the statement of the Liverpool Steamship Owners' Association (Appendix IV.). There is a growing tendency in different parts of the British Empire to give at least an option of making a return, with a view to assessment according to the proportion borne by the annual turnover at each port relatively to the total turnover. The shipowners fear that the same kind of difficulty that they have encountered in the United States will, in future, be multiplied for them within the Empire. Developments in the direction of assessment of realised profits are taking place both in South Africa and India, and will probably follow elsewhere, with the adoption of the Model Ordinance to which reference has previously been made.

The shipowners also point out that the laws in the different parts of the Empire are not uniform, and that the same company may have, as a consequence, to make a variety of different returns in respect of the same accounting period. For example, the date of ending of the fiscal year varies in different countries, with the probable result that the company may have to split its accounts to cover different fiscal years.

Moreover, the practice of the taxing authorities in applying these laws is different in matters of detail. Thus a firm trading to a number of ports may have to answer very different questions in the case of different authorities in regard to such a matter as depreciation. A heavy and costly burden is thus, it is alleged, thrown upon shipowners, and they fear that this burden is likely to increase.

The shipowners further complain that in order to show their profits at a particular port they are required to disclose the whole of their business to Governments other than their own. They urge that in no trade is there greater scope for judgment than in shipowning, and that their experience and knowledge are, therefore, part of their capital. The disclosure of the details of their business ought not to be required of them beyond the point that is absolutely necessary, and they hold that it should suffice for them to convince the taxing authorities of their own Government only.

(3) *Difficulties in the Operation of Reliefs from Double Taxation.*—Shipowners residing in the United Kingdom point out that in times of depression they may, on the average of three years, make no profit, and therefore pay no income tax to the British Government. In such an event there would be nothing out of which to claim relief for tax already paid in the Dominions or elsewhere. A striking instance of this was brought before us by the Chamber of Shipping, and we arranged that it should be considered by officials of the Inland Revenue Department, who have given us to understand that the case, as stated in the letters which we print in Appendix V, is correct. Other cases of anomalous results in the matter of relief will be found in the statement of the Liverpool Steamship Owners' Association.

On a review of the complaint thus urged by the shipowners, it appears to us that complexities and anomalies do exist and that with the more general introduction of the option of taxation on realised profits they may for a time, at any rate, tend to increase. In many parts of the Empire, income tax is a comparatively new development; time will be needed for the creation of a body of precedents such as contribute in an important degree to the smooth working of the long established system of income tax in the United Kingdom.

Suggested Remedies.

Certain suggestions have been made to us for dealing with the situation. We present them in the form of alternatives.

- (1) *Mutual exemption of shipping from taxation such as has been offered on reciprocal conditions by the United States of America and the United Kingdom.*

Not all portions of the Empire, however, are ship-owning communities, and the adoption of this method would involve certain of the Governments in the surrender of revenue which, in some cases, might be appreciable.

- (2) *Assessment in the country of domicile only and apportionment of the duty in relation to each assessment between the Governments of the Empire which are concerned.*

This proposal was rejected by the Royal Commission on Income Tax in 1920, not only because of the practical difficulties involved but also on the ground that "it obscures the independent rights of taxation inherent in every State and may create the false impression that a State is exempting a class of income which it is in fact charging or that it is contributing towards the revenue of another State."

- (3) *Assessment by the country of domicile only, but apportionment of the yield of the whole tax collected from shipowners among the various Governments by payment of round sums on some agreed basis.*

This proposal would involve bargains between the various Governments which would be difficult to adjust, and might in any case be held to be undesirable.

- (4) *Readjustment from time to time of the percentage charged on receipts in order to bring it more into relation with the fluctuating results of the shipping business.*

It is suggested that, even so, there should be a right on the part of the shipowner to obtain an adjustment on completing his accounts of the round voyage or year, as the case may be, together with a right to receive repayment of any amount shown to be overpaid.

- (5) *Yet another suggestion has been made by the Inter-Departmental Committee on Income Tax in the Colonies not possessing responsible Government. In their report, which refers of course only to those Colonies, they recommend the appointment of an official resident in the United Kingdom as the recognised agent of each and every Colony which imposes income tax. They think that such an agent would be in a better position than the local official to investigate and check the returns of residents in the United Kingdom, to discuss the various difficulties and to come to an agreement where agreement is possible. They consider that this method would secure substantial benefits both in smoother administration of the tax and in a larger yield of revenue. Provision was made in the model ordinance, which they drafted, for the appointment of such an agent.*

Conclusions.

We have not seen 'our way to recommend the adoption of any one of the foregoing alternatives, for the reason that in so far as the necessity for raising revenue is concerned the matter passes beyond our reference. Moreover, as already stated, we have not been able to consult with fiscal authorities elsewhere in the Empire than in the United Kingdom. None the less we feel that anomalies and complexities have been shown to exist and that there is sufficient evidence to establish a *prima facie* ground of complaint.

The difficulties may not appear very great in connection with any one jurisdiction, but in the aggregate of the whole Empire they amount to an impediment to commerce. We suggest, therefore, that this report should be brought to the

attention of the fiscal authorities in question, and that when they have considered it the whole matter should be referred to some appropriate body for further investigation.

H. J. MACKINDER (*Chairman*), G. GRINDLE, D. M. DALAL, H. LLEWELLYN SMITH, PETER C. LARKIN, E. A. EVA, J. ALLEN, GEO. BOWDEN, KENNETH S. ANDERSON, W. L. HICHENS, T. HARRISON HUGHES, JAMES W. MURRAY.

R. D. FENNELLY (*Secretary*).
October 19th, 1923.

[NOTE.—Owing to their absence from this country, Sir Edgar Bowring and Mr. Kenneth Lee have been unable to sign the report.]

Incorporated Accountants' Masonic Lodge.

The Installation Meeting of this Lodge was held at the Hotel Cecil, London, on Tuesday, November 6th.

The retiring Master, Mr. M. J. Faulks, P.G.W. Essex, P.P.G.R. Bucks, presided at the opening of the Lodge, and installed his successor, Mr. Frank Charles Harper, L.R., in the Master's chair in a very able manner. The new Master then invested the officers of the Lodge as follows:—Mr. F. E. Clements, Senior Warden; Mr. M. Widdowson, Junior Warden; Mr. F. Ogden Whiteley, D.P.G.R. West Yorks, Chaplain; Mr. W. H. Payne, Treasurer; Mr. H. T. Gore Gardiner, Secretary; Mr. R. A. Witty, Director of Ceremonies; Mr. H. Morgan, Senior Deacon; Mr. J. Robinson, Junior Deacon; Mr. H. J. Burgess, Almoner; Mr. J. C. Fay, Assistant Secretary; Mr. A. V. Huson, Organist; Mr. W. C. Chaffey, Inner Guard; Mr. E. G. Bourne, Mr. A. Anderson and Mr. S. T. Morris, Stewards; and Mr. G. Lunt, Tyler.

At the subsequent banquet there was a large gathering of members and guests. The Master, Mr. F. C. Harper, gave the loyal and Masonic toasts, that of the Grand Officers being responded to by Mr. S. W. Rodgers, Grand Steward. The toast of the "Worshipful Master" was submitted by the immediate Past Master, Mr. M. J. Faulks, and was enthusiastically honoured. The Worshipful Master then submitted a toast to the immediate Past Master, and in thanking him for his services to the Lodge during his year of office presented him on behalf of the Lodge with a beautiful Past Master's jewel. The toast of "The Visitors" was submitted by Sir James Martin and responded to by Mr. A. O. M. Bowles, Mr. S. D. Payne, son of the Treasurer, and Mr. George Drowley. The officers of the Lodge were honoured on the call of the Master, the toast being responded to by Mr. R. A. Witty and Mr. H. J. Burgess.

An excellent programme of music was arranged, the artistes being Miss Elsie Dumayne, Mr. George Brierley and Mr. Charles True, and at the piano, Mr. Edward Harper, son of the Master.

ENGLISH-SPEAKING ACCOUNTANTS IN PARIS

The third quarterly meeting of English speaking accountants practising in Paris took place on Wednesday, October 31st, at the Restaurant Langer, Avenue des Champs-Élysées, Paris. Mr. Howard Button, C.B.E., F.C.A. (Chantrey, Button & Co.) acted as chairman, and there was a good attendance. The Secretary reported that the next luncheon would be held on Wednesday, January 30th, 1924, and that the chairman would be a representative of Messrs. Darke, Robson & Batty. Mr. W. E. Seatree informed the gathering that Mr. A. P. Richardson, the Secretary of the American Institute of Accountants and the Editor of the *New York Journal of Accountancy*, was visiting Paris for a few days towards the end of November, and that the Committee recommended that the occasion should be one for holding a dinner, open also to members of the staffs of the firms represented in Paris. It was decided to hold such a dinner at a date convenient to Mr. Richardson and that Mr. Seatree should take the chair. The proceedings were terminated by a vote of thanks to the chairman, proposed by Mr. W. Morgan Day and seconded by Mr. Seatree.

Society of Incorporated Accountants and Auditors.

Extract from Revised Bye-Laws of the Council.

EXAMINATIONS.

Preliminary Examination.

2. The Preliminary Examination shall embrace the following subjects, viz:—

(2 hours). One Paper on General Knowledge, including the main outlines of Modern English History from Tudor period to the present time, and General Geography.

(2 hours). One Paper on English including:—

- (a) An Essay.
- (b) General Questions testing knowledge and command of English and English Literature.

Foreign Language, comprising:

(2 hours). One Paper on French, German or Latin (to be selected by the Candidate), including:—

- (a) Unseen translation into English.
- (b) Easy translation from English.
- (c) Grammar.

Mathematics, comprising:

(2 hours). One Paper in Arithmetic.

(3 hours). One Paper on Algebra and Geometry, including:—

- (a) Algebra as far as Quadratic Equations and Graphs.
- (b) Elementary Geometry: rectilinear figures, areas and circles, such as is covered by Hall & Stevens' School Geometry, Parts I to IV, or any similar text book.

Notice by Candidates.

9. Candidates may submit applications to sit for examination at any time within a period of twelve months prior to the date of the examination for which they intend to present themselves; but in any case notice must be given before the last day appointed, which shall be not less than one month before the date of the examination. Such notice must be accompanied by an application in proper form together with the prescribed fee.

Articles.

11. Articles or Indentures of Apprenticeship shall be a condition precedent to the Intermediate Examination, subject to the following Special Provisions:—

Special Provisions.

- (a) All candidates submitting applications under the Special Provisions must have passed or have been granted exemption from the Preliminary Examination prior to making such applications.
- (b) Accountancy Clerks to Public Accountants (other than Articled Clerks) of not less than six years continuous service, and whose age shall not be less than 22 years, may apply for permission to sit for the Intermediate Examination.
- (c) Candidates (other than Articled Clerks) who have passed the Intermediate Examination and attained the age of 25 years, may apply for permission to sit for the Final Examination, upon the completion of service in the profession for nine years.
- (d) In the case of graduates of any of the recognised Universities of England and Wales, Scotland and Ireland, the Examination and Membership Committee may, at their discretion, reduce the period of service in the profession required under clauses (a) and (b) of this Bye-Law by a period of not

more than two years, provided that such Candidates shall have completed at least four years service in the profession, prior to sitting for the Intermediate Examination.

- (e) In the cases of Candidates who served with H.M. Forces during the period 1914-1919, and who submit applications under Clauses (a) to (d) of this Bye-Law, the Examination and Membership Committee may, at their discretion, recognise in whole or in part as service in the profession, service with H.M. Forces, regard being had to the Candidates' actual period of service in the profession. Such Candidates must produce certificates of the dates between which they were mobilised with the Forces.
- (f) A candidate under these Regulations must submit with his application a statement in proper form as to his experience and qualifications and shall forward certificates from his employer, or employers proving service in the profession as specified in the foregoing Clauses (b), (c) and (d). Such certificates shall also indicate the position occupied by the Candidate, the nature of his duties and that his application is recommended to the Examination Committee.
- (g) The term "Public Accountant" shall be deemed to include a Municipal or County Treasurer, Chamberlain or Accountant who occupies the position of Chief Financial Officer of the Municipal or County authority concerned.

REGULATIONS AS TO ARTICLES.

Term of Articles.

16. The period of service under Articles of Clerkship shall be five years, subject to the following provision:—

That in the case of a person who is a graduate of any of the Universities of England and Wales, Scotland and Ireland, the period of service shall be three years.

Registration.

17. Within one month of the execution of Articles, the same shall be lodged with the Secretary for approval by the Council, and registration. The fee payable on registration shall be 10s. 6d.

Examinations.

18. An Articled Clerk, upon the completion of two years of the term of his Articles, may present himself for the Intermediate Examination. In the case of a University graduate where the period of Articles is reduced to three years, the Intermediate Examination may be taken upon the completion of one year's service under Articles.

Election to Membership.

19. An Articled Clerk within the last year, or being a University graduate, within the last six months of the term of his Articles, may present himself for the Final Examination, and upon duly passing same and completing the term of his Articles, shall be entitled, provided he shall have attained the age of 21 years, to be elected an Associate of the Society, subject to the regulations contained in the Articles of Association.

Certificate of Service.

20. An Articled Clerk when making application for admission as an Associate, shall forward to the Council a Certificate from his employer that he has duly completed his term of service. Failing the production of such Certificate, he must give such evidence in support of his application as the Council shall require.

Limit of number of Pupils.

22. A Member of the Society, being an Associate, shall not have more than two, or being a Fellow, more than three Articled Clerks during the same period, except by permission of the Examination and Membership Committee of the Council.

CHARTERED INSTITUTE OF SECRETARIES

ANNUAL DINNER.

The annual dinner of the Chartered Institute of Secretaries was held in King Edward VII Rooms on November 8th. The chair was occupied by Mr. W. N. Bancroft, President, who was supported by the following principal guests and a large number of members:—Lord Kilsant, G.C.M.G., Sir Joseph Cook, G.C.M.G. (High Commissioner for Australia), Sir Edward Wallington, K.C.V.O., C.M.G., Mr. W. W. Paine and Mr. R. M. Holland Martin, C.B. (Honorary Members), Sir William Plender, G.B.E., Sir W. H. Clark, K.C.S.I., C.M.G. (Comptroller-General, Department of Overseas Trade), Mr. R. L. Barclay, C.B.E., J.P. (Chairman of Council, London Chamber of Commerce), Mr. G. S. Pitt (President, Society of Incorporated Accountants and Auditors), Dr. A. Russell, M.A., D.Sc. (President of the Institution of Electrical Engineers), Sir Sydney Chapman, K.C.B., C.B.E. (Secretary, Board of Trade), Sir James Bird (Clerk, London County Council), His Honour Judge Shewell Cooper, Sir William Ackworth, K.C.S.I., Mr. A. de V. Leigh (Secretary, London Chamber of Commerce), and Mr. A. A. Garrett (Secretary, Society of Incorporated Accountants and Auditors).

The toast of "The Institute" was proposed by Lord Kilsant, who paid a tribute to their immediate Past President, the late Mr. Charles E. Musgrave. He referred to the continued progress of the Institute and to the services their members rendered in the commercial world, especially having regard to the development of business on big lines arising from modern competition, present difficulties and heavy taxation. In spite of the present world wide depression, it appeared to him that, taking a long view, the trying period through which they were passing was leading to the machinery of business being overhauled and reorganised, which would prove beneficial. He regarded with satisfaction the saner attitude on the part of Capital and Labour, and, even although international competition would be more intense than ever, he believed that British trade and commerce would maintain its permanent position by efficiency and hard work.

The President in reply gave some particulars with regard to the progress of the Institute and of its financial position. Dealing with the Companies Act, he considered there were two amendments which were much overdue. He believed it should be prescribed by Act of Parliament that auditors should be either Chartered or Incorporated Accountants, and that secretaries should hold the qualifications of the Chartered Institute of Secretaries. In concluding his speech he referred to the general qualities required from secretaries in the discharge of their duties.

The toast of the "Dominions of the Empire" was proposed by Mr. William W. Paine, and was responded to by Sir Joseph Cook, G.C.M.G. (High Commissioner for Australia), and Sir William H. Clark, K.C.S.I., C.M.G. (Comptroller-General of the Department of Overseas Trade).

Mr. Alderman Barthorpe, D.L., Past President, proposed the toast of "The Visitors," which was responded to by Sir William Plender, Bart., G.B.E., and Sir William Ackworth, K.C.S.I.

At the conclusion of the proceedings the toast of "The President" was proposed by Mr. John C. Mitchell, J.P., Past President, accompanied by musical honours.

Professional Appointment.

Mr. R. G. Davidson, A.S.A.A., has been appointed Assistant Accountant of the Southern Railway.

Mr. H. I. Godfrey, F.S.A.A., of Messrs. Godfrey, Laws & Co., Luton and London, a member of the Beds. County Council, has been elected a member of the Luton Town Council without opposition.

Accountants and Strikes.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

THE RIGHT HON. LORD ASKWITH, K.C.B., K.C.

The chair was occupied by Sir JAMES MARTIN.

The CHAIRMAN: Ladies and gentlemen; on your behalf I would offer to Lord Askwith a very cordial welcome. There is no need for me to give him a formal introduction; his work as an industrial conciliator is well known to every one of us. There never was a time in the history of our country when the avoidance of strikes was more necessary than it is to-day, and Lord Askwith is kind enough to come to us in order to let us know how our profession can be of assistance. It is never my practice to stand between an audience and a lecturer, and therefore I have great pleasure in asking Lord Askwith if he will kindly address us.

LORD ASKWITH, who was loudly cheered, said: Sir James Martin, ladies and gentlemen; some of us have to go on to a dinner to meet the Colonial and Dominion Premiers, so we appear in a garb which is unusual in a dull lecture. In a book that I wrote called "Industrial Problems and Pursuits," some few years ago, I dealt with what is to become of our boys, and I set forth various trades and professions to which young men might aspire to enter, and where, in some of them, they could gain fame and scope for their ambition, and where in others they could never hope to do so. When this book was published I received several letters saying that I had missed out accountants, and I was sorry to find that I had, by some unaccountable reason, for which I can make no excuse. I could only say that I would put it in any further editions of the book.

But it seems rather ridiculous of me to be talking, after missing them out, to accountants about strikes. This talk—I do not call it a lecture—has arisen from a little conversation I had last year with the Chartered Secretaries, and I received an invitation from your Secretary to say that you would rather like somewhat the same kind of thing—not a set lecture, but a talk upon the subject for your Society. I gladly consented, but if there are here older accountants I hope they will see that I accepted coming to the Students' Society, and that it is to the students especially that I am addressing my words.

The profession of accountancy in England has in many ways been one of recent growth, or at any rate of recent development. I suppose the first great inhabitant of these islands who was a great accountant was William the Conqueror, who started Domesday Book, a book which gave an example of a golden principle in accountancy—that accounts and valuations and everything connected with them are of little value unless people know how to use them. Instead of being supplemented and brought up to date, that book was made use of for many generations by people who did not know how to use it properly; and during the long course of centuries it is difficult to find any real accountant, except two persons with questionable reputations, Flambard, the Minister of William II, and Archbishop Morton, Minister of Henry VIII, both ecclesiastics and both undoubtedly accountants. You can read in Colonel Bigham's "Chief Ministers of England," a very interesting account of them.

DEVELOPMENT OF ACCOUNTANCY.

As time went on, and as things became more complicated in business, individuals had to have accounts, and accountancy sprang up; but it was done in an extraordinarily—I do not like to say slipshod—but an extraordinarily free manner. Its growth was therefore gradual. The English people are very slow to adopt new habits, and I found, myself, before the war, how extremely little accountancy was made use of in many businesses and in many trades. Of course, accountancy extends into many things, such, for instance, as exchanges, revenues, auditing, costings, joint stock companies, banking, insurance, taxation, bankruptcy, mutual thrift, various associations in counties, boroughs and towns, friendly societies,

co-operative societies, trusts, &c. All of these have to use accountancy in a more or less skilled manner. But spread over the country as a whole, there was a remarkable absence of it.

As long ago as one of the first strikes that I had anything to do with—on the North-Eastern Railway—so skilled a man as Sir George Gibb, the then General Manager, had continually to have accounts got out before he could arrive at any answer as to what effect some of the demands of the railwaymen might have upon the railway. And in other strikes one found the most amazing absence of accountancy. I might instance a strike at Grimsby, in the Grimsby fishing industry, where neither those who put forward schemes for increases in wages, nor the employers, had any accounts by which they could tell what the effect of the changes or increases might be. They had accounts with regard to the sales and the returns which they got from the consumer, or from the merchant, but nothing to show what the changed conditions might imply.

In another case, in Scotland, in the linen industry, I found the same thing; and I found immense distrust on the part of the men, because they would not believe that the employers could not give them the reasonable amount they were asking for. The accounts had not been got out. They told me their condition was very bad, that trade was very bad, and I had to do the best I could, because accountants were not obtainable in that particular place, to examine their books, which they would not show to the men. Without being an accountant myself, I had to work out from their books what the effect of the changes might be.

And so in trade after trade; I need not give you any other instances. This went on until, in 1912, it became a very important thing that accounts should be carefully got out with regard to the relations between employers and employees in some of our big industries. The two chief ones were railways and coal. Coal is the industry that, perhaps more than any other, has required accountancy, and it has caused accountancy to spread to other industries. There was a general coal strike in 1912, which ended in an Act of Parliament being passed granting the minimum wage; and one of the clauses of that Act of Parliament stated that "in settling any minimum rate of wages the Joint District Board shall have regard to the average daily rate of wages paid to the workmen of the class for which the minimum rate is to be settled." Consequently, the average rate had to be got out in every class; and those who are concerned with the producing of coal are divided into numerous classes. Accountants were brought in, and on the report of the accountants—one firm representing the employers and another firm representing the employees—an arbitrator had to decide what rise or fall of the wage was necessary under the circumstances. Accounts had to be kept in a way in which they had never been before throughout the whole of the coal trade in the United Kingdom. It was a good example, and one that was followed in various other trades. There spread gradually a sort of impression that this had been of considerable advantage.

There still existed, however, the great jealousy of the employers in disclosing their accounts, or in going into costings. It was not so much the interior of the work that they were afraid of, or of getting out the figures, but they would not disclose them lest their competitors should know what their costings were; and also they objected to showing those costings to the workpeople. The workpeople naturally distrusted accounts or figures which were given to them without details. They tried themselves, in a more or less unsuitable way, to get at figures to support the case that they might make before an arbitrator or conciliator, or in negotiation with the employers; but not being skilled, and not having sufficient knowledge of all the qualifications that should go into accountancy, they naturally made very great mistakes and were often very wide of the mark.

EFFECT OF THE WAR ON COST ACCOUNTING.

Then came the war, and I suppose no event could have given accountancy such a tremendous fillip in use as the war did—partly through the Ministry of Munitions and partly through the arbitrations, both interlocked, the one with the other. Costing systems had to be got out by the Ministry of Munitions so that one factory should not be supplying (say) shells at a greater cost than another, and it was necessary for the nation to know how much it was paying for the vast

number of different classes of goods of which it was the sole buyer.

Then came the arbitrator. Unknown to you, I had been for years a really good friend to the accountants, because I had always been asking for figures. I said: "How am I to agree to these changes one way or the other unless you can produce some figures?" I asked for them again and again and sometimes—not always—my persistency was rewarded. But in the war it was a different matter. Figures had to be produced. Some of them could be produced from the figures that had been got out by the Ministry of Munitions. It was found, too, that the men who had been able to get some of the figures from the Ministry of Munitions, and had studied them, were able to put their arguments, as against those employers who had not got out their costings, with much better force than the employers themselves could use.

I remember an instance when an employer came up from the North of England, and when I pressed him for his figures—and he more or less intimated that the Government paid and he did not mind whether the advance asked for was given or not—I found that he really had no figures at all. He did not know the effect upon the different grades of his workpeople of what the cost would be to his work, or relatively one to the other—a most important point. So I sent him away for a fortnight and told him he must put on accountants at once; that I would not deal with the matter until he came back with full figures. I told the men that they would unfortunately have to wait, but that the award would be retrospective on account of the employer's folly.

Now, my argument to this man was this: I said "How can I possibly give an increase of an unknown quantity for your workers without figures before me? Do you not know that this award may be copied by hundreds of other works in different parts of the country? If I give too much it will cost the country millions of pounds. It may spread to other industries, and it may have a general effect upon the supply of munitions of war. If I give too little it will be worked out by the men in comparison with the wages that exist in other works. You may have a strike in your own works, and then you may have sympathetic strikes spreading throughout the district. You must give me figures." I succeeded in getting figures in the end. So, by the close of the war, costings were being got out, and valuations of all kinds, in a manner that had never existed before, and in a much more unified form.

After the war I think development increased. I find that in various industries the desirability of accountancy has been recognised. Let me take one—the pottery industry. One of the rules of the joint board is this: "The collection of full statistics on wages, making and selling prices, and average percentages of profits on turnover, and on materials, markets, costs, &c., and the study and promotion of scientific and practical systems of costings to this end. All statistics shall, where necessary, be verified by qualified accountants, who shall make a statutory declaration as to secrecy prior to any investigation, and no particulars of individual firms or operatives shall be disclosed to anyone." That is the rule of the joint board of the Potteries.

Now take the building industry. There are now sitting committees appointed by the Government who have continually to employ accountants "to survey the prices of building materials and to receive and consider complaints in respect thereof, and to report from time to time to the Minister of Health and to the President of the Board of Trade as to the facts, and, in particular, as to the extent in which in any case the price appears to be unduly high by reason of the operation of any trade combination, trust or agreement." There accountants come in again in a great industry.

But, once more, the industry that most employs them is the coal industry. After a long struggle, which you will all remember, a settlement was made in the coal industry in which the standard rate of 1914 had to be ascertained. Upon that standard rate, the men were to receive 20 per cent. added, which was to be the minimum wage. After the minimum wage had been paid, any surplus up to 17 per cent. was to go to the employer, and beyond that 83 per cent. to the men.

HOW THE ACCOUNTANT CAN ASSIST.

Now that is purely an accountant's business. Accountants have upon these actual figures to bring out in the very many

coal districts of this country what the miners' and surface men's wages ought to be. The men, as well as the employers, have an opportunity of knowing that the result has been based entirely upon figures which cannot be controverted, and they can see whether the industry can or cannot pay more than the minimum wage.

In some districts of this country at the present moment the minimum wage is not being earned, and the employers are losing daily with no profit from coal; but the minimum wage has still to be paid to the workpeople. The workpeople are saying that the minimum wage is only 50 per cent. above the wages that existed in 1914 and that the cost of living figure at the present time is 75 per cent. above the cost in 1914. They are asking that the minimum wage should be raised. The employers say: "Absolutely impossible; we cannot do it because it is not in the industry. We are losing our capital day by day now, and we shall come to an end of that capital, and we shall not be able to get any more."

Consequently it is of the utmost importance, in order to meet this crux as between the two parties, that every step should be taken that is possible during the depression of trade, and, unless coal prices go up considerably, to cut down the amount that is spent uselessly in any coal mine. Of course you cannot control the coal itself. It may be a bad mine, and one that would not under any circumstances yield coal at a profit, and the employers say that some of these mines may have to stop. In deciding what can be cut down, or what alterations can be made, nothing is more important than the accountants' work.

Before the Royal Commission on Coal Mines several celebrated accountants gave their evidence, and one of them said this: "The records of cost of coal cutting by machinery should account for the whole working day of each cutting machine, and show the exact number of minutes during which the machinery is standing idle, and the precise cause or causes given by those in charge. The cost of the idle time of machinery is a very important factor, often not fully appreciated." Then he mentioned how comparative costs will show clearly cases of collieries that are suffering from some special unavoidable handicap—distance from markets, thin seams, heavy water, long underground haulage, &c. These must be ascertained in order to gauge relative efficiency for the guidance of the general policy of the management on its technical and practical side. The cost returns are of course vital, whether in discussing proposed extension of the workings of any pit, opening additional pits in an area, introduction of machinery or improvements in existing machinery."

Another witness summed up in very few words these as the "avoidable" costs in coal working:—

- "(1) Waste of stores.
- "(2) Idle time of machinery.
- "(3) Inefficient plant or tools.
- "(4) Idle time through breakdowns (not always preventable), waiting for material, &c.
- "(5) Faulty works organisation.
- "(6) Waste of power and lighting.
- "(7) Extravagance in administration.
- "(8) Careless buying.
- "(9) Old-fashioned methods of production.
- "(10) Incompetent staff.
- "(11) Inadequate haulage and raising facilities.

"Attention is focussed on such factors on the consideration of the cost returns, but it is necessary—

- "(1) That the costs be so framed that such items are brought to light.
- "(2) That the cost results are actually used by a management sufficiently expert to understand the lessons taught by them."

The same lessons that William the Conqueror's Domesday Book impresses by its falling into the hands of subsequent generations of people who did not know how to use it!

All those are different matters upon which accountants must necessarily exercise their skill. Although the lists, the valuations and the costings that they make are of no value unless use is made of them, in any business where good

leadership and judgment are engaged those must necessarily be the bases upon which employers or manufacturers would now proceed.

It has spread, too, through the engineering industry. The margin of profit in all industries at the present moment is generally so small that manufacturers must look to every method of saving in the cost of production, and without costings, without elaborate investigations, without the use of accountancy, it is almost impossible for them to do so, except by a rule-of-thumb method, which is to be deprecated.

The Controller of Munitions Contracts, in speaking of the general effect of the spread of the costing system, says: "The investigation by Ministry accountants of contractors' actual costs also met with a good deal of opposition, but this latterly disappeared. One result has been that many manufacturers have been induced to improve their existing systems of costing, and in some cases where records were practically non-existent to instal costing systems, and generally a much needed impetus has been given to scientific ascertainment of costs both on the accountancy and technical sides. I am convinced that the time has come . . . for 'all the cards to be placed on the table' with regard to the cost of production of coal. I have for long felt that the reiterated demand of the miners for certified data as to cost of production, as well as for realised prices, should have been granted earlier. I also believe that much misunderstanding and suspicion—prominent factors in industrial unrest—will be removed by periodical submission of such data to the miners. . . . One has every sympathy with employers' hesitation to disclose information hitherto jealously guarded with the utmost care, but I find from conversation with the employers that they recognise that the undoubted tendency of the times is towards publicity."

Now, that is a very important move of thought, which may have results in the future to the benefit of accountants.

Another gentleman, who was Controller of Factory Audit and Costs to the Ministry of Munitions, intimated that—

"The value of efficient costing in business administration has not been recognised generally in this country. . . . The benefit derived from the costs depends entirely on the extent to which the information thus obtained is used by the management in the control and administration of the business."

William the Conqueror again!

And in another place he makes the same remark, which I need not now repeat.

THE FUTURE OF ACCOUNTANCY.

My argument about that is this: That accountancy is being much more generally adopted than it was even 30 years ago; that with the complexity of modern industry it will be adopted still more in the future, and that therefore the accountancy profession is one which is bound to increase in importance, and one which will be more and more required. I am certain that, as far as industrial relations between capital and labour are concerned, it is being every time insisted upon, and accountants will come more and more into connection with labour disputes. And if they do, it is necessary they should be fitted for the task.

Persons have often squabbled over the methods of education that a man should receive. Wellington, as Sir Ian Hamilton remarked in a letter published this morning, said: not that "Waterloo was won on the playing fields of Eton," but this: "The best education for the military and other professions is the common education of the country." A man whom I knew, whose life has lately been published—Sir William White, the Chief Constructor of the Navy—told me that he had tried every kind of lad with a view to ascertaining whether a lad who had begun specialising too soon, or whether a lad who had built his special knowledge on a general education, was most suitable for the skilled work of designing ships, and he said he had no hesitation in stating that the man of general education was the person whom he would sooner select.

Assuming that a man has had a general education, he then goes in for reading up for theoretical examinations, but mere dabbling with theory is of little value. It remains for the accountant that he should take every opportunity of getting practical experience to build upon his general

education and his theoretical education. My own opinion is that you want all three of them, and without the three of them a man would fail. Not fail necessarily in getting small jobs, where he would have his nose to the desk and have no opinion at all, but fail in the broad views which, when such matters as industrial relations have to be considered, are necessary for him to have. He must know men as well as figures. He should rather follow on the lines indicated some considerable time ago in a lecture that was given before the Royal Society of Arts when these qualifications or ideals were put before the accountant:—

"The accountant whose scientific conceptions (that is to say, whose theoretical thinking) are limited to the immediate horizon of the few businesses, or even groups of businesses, with whose affairs he happens to be associated, will certainly not adequately meet all the demands that will be made upon his powers. Only will he succeed in minimising the risk of error in the larger issues of his work if it is part of his habitual mental outlet to conceive of certain matters of cost and valuation as dependent upon ever widening conditions, until it may be the whole process of world production has to be taken into practical consideration."

That ideal is of considerable importance to remember. And it is of importance to remember it, because there have been some criticisms even lately, of accountancy in the past. The Controller of Factory Audit came out with this statement in May, 1919. He was speaking not so much of the skilled accountants, but of the methods of accountants of the small kind, who were conducting accountancy for certain firms. He said:—

"In the majority of concerns the accountants are totally incapable of introducing proper costing systems, and frequently the size of the undertaking would not justify the expense of a whole time highly skilled accountant."

Again, Sir Josiah Stamp, the examiner to the Society of Incorporated Accountants and Auditors in 1921, uttered these words:—

"I make this serious indictment of accountants. Scientific accountancy has now been developing for some 50 years, but I cannot trace that it has yet made a single substantial contribution to economic science . . . although it has practically a monopoly grip of the required data."

Now, those are criticisms of accountancy in the past. It is up to you, the young men on whom the future of this country depends, to do the best you can, by ever widening your grip of things and by taking an interest in the work you are doing, to improve the amount of accountancy work in this country, to do that work well, and so to proceed that in the future such criticisms will fall to the ground. I feel sure that the example that has been shown by many firms must spread to others. One sees, too, that the trade unions themselves are taking, or have to take, a greater account of their figures, and are going into their costings, particularly in regard to the cost of management. It becomes of grave importance when you come to consider the Acts of Parliament that have been passed with regard to your unemployment insurance, and with regard to all the benefits provided by different kinds of insurance.

If that desirable thing, unemployment insurance by industries, came into being, an immense amount of accountancy would necessarily arise. You have opportunities of experimenting in small ways, by taking out figures and seeing how they would affect wages and conditions of men, and by degrees, adding to the knowledge that you will acquire from the lectures and theoretical studies that you have, you will gain more and more practical knowledge and be able to enlarge that practical knowledge, if it embraces ever-widening conditions, in a manner that may be of benefit to the country.

Accountancy is a very great profession. It has produced some great men—men of importance to the country—in quite recent years. It is, if I may say so, going to be a greater profession, and I hope that any few words I have said by way of showing you how wide are its interests may assist you in determining that the profession, as far as you are concerned, shall be as great as possible.

Discussion.

The CHAIRMAN: We have listened to an address of absorbing interest. To me it has brought back to mind all that has taken place in our profession since I entered it, more than 40 years ago; and when Lord Askwith pointed out that it was not till about 1912 that our great industries, in their relation to labour, took proper heed of accountancy, it only shows how very slow was the progression up till recent years. I was specially struck with his references to the Ministry of Munitions during the war, for, with the assistance of my good friend Mr. Strachan, I was Director of Contract Costing in the Ministry during 1917 and 1918, and my chief was the Controller of Contracts, to whom Lord Askwith has referred—Sir John Mann. I remember very well going to a meeting of manufacturers, and one eminent manufacturer jumped up and said "I move that we send a deputation to the Minister of Munitions to point out to him how intolerable are the conditions under which we carry on business, owing to the continued interference and meddling of the accountants." (Laughter.) I quietly rose from the other side of the room and said "Mr. Chairman, I do not think you need hurry about sending that deputation to the Minister; I am the person who is being attacked, and I am quite ready to make a reply here and now." I will not go into all the details, but I have the satisfaction to-day of having that manufacturer as one of my intimate friends. So it shows that although sometimes we have to impose our views and our systems upon unwilling people, if we can make out a good case they will accept us after all. I am very glad Lord Askwith laid such stress on costing, because I feel it is in that direction that the development of our profession can be best carried out. We have not a great deal of time at our disposal, owing to another engagement, but if anyone would like to offer a few remarks I am sure Lord Askwith will be pleased to hear them.

Mr. A. A. GARRETT, B.Sc.: The Society is particularly indebted to Lord Askwith for coming here to-night, and for giving us the benefit of his wide experience in a unique and useful field of social service. I believe that, so far as this Society is concerned, he has broken new ground, though I am happy to say that in my travels among members of the Society in different parts of the country I have found Incorporated Accountants who are professionally retained for the particular duties to which Lord Askwith referred. His Lordship has been good enough to indicate in two directions the development of the accountant and the accountancy profession. On the personal side, he has shown us that the accountant has a specialised function to perform—the presentation of scientific facts, the submission of those facts and figures, disclosed from complicated and involved operations, in a simple and understandable manner, and the demonstration of the directions in which the results of those investigations point. In the second place, and from a wider point of view, Lord Askwith has indicated the trend of the development of the accountancy profession, which has been referred to from time to time at gatherings of Incorporated Accountants in recent years, though in other fields of social and commercial investigation than that to which Lord Askwith has directed his address. That this tendency places upon the members of the profession larger responsibilities is only too well known to practitioners, and only too well anticipated by examination candidates, who have reason to know what examiners expect from them and from their studies and practical experience. Lord Askwith may be interested to know that the Council of the Parent Society, shortly after the close of hostilities, took upon themselves to re-organise the examination syllabus, and particularly to add Statistical Methods and Economics as special subjects in view of those new duties which the years ahead were likely to place upon them. In that particular work the Society has been fortunate in securing the active co-operation of Sir Josiah Stamp as a final examiner. As Secretary, I am grateful to Lord Askwith for his closing observations, as showing the useful field of work which lies before our younger men and women, and I would venture respectfully to support his view that it is for them to make good their claim and to render a highly specialised and, it may be, onerous form of social service to the industries, and to those engaged in the industries of this country.

Mr. A. E. WEBSTER, Incorporated Accountant: I would like to associate myself with the remarks that have fallen from our Secretary. Lord Askwith has pointed out the great use accountants can be in the development of industrial matters. He has treated one side of the medal, and, I venture to say, there is another side in which their services could also be employed. We have heard of the great efforts that have been made to examine, dissect and organise the position of employers and the amounts they are to pay to their workpeople. That is, of course, a very understandable thing. It is simple to define clearly how much a man should be paid per week, day or hour, as the case may be, but in addition to all these excursions into costings and expenses and disbursements by the employers, is it not possible that accountants could be equally usefully employed in ascertaining what each workman, each class of workmen, each group of workmen, in the different fields should render in return for a directly defined amount of remuneration paid to them by the employer? We hear it frequently advanced that workmen want a minimum wage, or that they want more wages; we hear of the exhaustive inquiries that are being made to find out what wage they should be paid, but we find nothing is said of the steps that are taken to ascertain what a workman should render in return for the wage he is paid. That, I think, is another extension of the work of accountants which could be well undertaken—to ascertain the capacity and the proper amount of production or service that each workman, or each group of workmen, is capable of and should render in return for the money that is paid. I was impressed by Lord Askwith's statement in relation to the coal industry—that of certain profits only 17 per cent. is to go to the employer, who risks everything at the beginning—sinking the mines and erecting the equipment—who runs all the risks, and at the same time has to pay workpeople, who actually rank as preferential creditors, who receive their wages week by week in exchange for and full payment of the services they have rendered, and those workpeople then claim that the employer is only to receive 17 per cent. of the additional profits while 83 per cent. goes to themselves. That argument strikes me as being very one-sided. What are those workmen to render for the 83 per cent.? If the workmen would honestly and loyally do their part, the country would benefit, the employer would be able to pay more wages, and the men themselves would earn more. Lord Askwith made a remark which struck me very forcibly: He said that he could not deal with an undefined quantity. Here, with the workmen, you have that undefined quantity, and it seems to me that accountants could be equally well employed in ascertaining, besides the costings and outlay of the employers, the individual and collective capacity of the workers to properly render the services for which they are paid.

The CHAIRMAN: I do not want to apply the closure, but I am sure you will allow Lord Askwith and myself to depart in order to fulfil another engagement. Before we do so, however, I will call upon Mr. Hughes, the President of the Incorporated Accountants' Students' Society, to move a vote of thanks to his Lordship.

Mr. A. H. HUGHES, President of the Students' Society, proposed, and Mr. F. C. HARPER, Vice-President, seconded, a hearty vote of thanks to Lord Askwith, which was carried with acclamation.

LORD ASKWITH in reply said: I thank you very much for the terms in which you have proposed and carried this vote of thanks. I fear that some of the younger students may be rather horrified at the vista of the number of lines in which they have to educate themselves, but they will have to remember that costings have come to stay, and they ought not to be sorry if further work for accountancy spreads throughout the land. They may look forward ultimately to attaining a knowledge which will enable them to put to shame that picture in *Punch* of August 8th last, where a palpable lunatic was being shown to the visitor. The remark was made: "He's rather unusual, isn't he?" and the doctor replies: "Yes, a very rare case; he understands income tax." (Laughter.)

The proceedings then terminated.

Incorporated Accountants' Benevolent Fund

THIRTY-FIRST ANNUAL GENERAL MEETING.

The thirty-first annual general meeting of the subscribers of the Fund was held in the Council Chamber, 50, Gresham Street, London, E.C., on Tuesday, November 27th.

Mr. ARTHUR E. GREEN, Chairman of the Trustees, occupied the chair, and was supported by Mr. W. McIntosh Whyte and Mr. H. J. Burgess (trustees), and a number of subscribers and the Hon. Secretary. An apology was received from the President, Sir James Martin, who was out of town.

Chairman's Address.

The CHAIRMAN (Mr. Arthur E. Green) said he considered the financial position was generally satisfactory. The total revenue had increased by £47, and the surplus for the year was £107 greater than for 1922. This brought the accumulated surplus to £6,411. The most satisfactory increase had been in the annual subscriptions, while life subscriptions had been well maintained. The donations appeared to show a falling off, but this decrease arose through a special donation having been contributed by the late President of the Fund during the year 1922. The calls on the Fund had not been quite so heavy as in the preceding year, but the Trustees had been enabled to deal justly with all applications. With regard to the work of the Fund, the Trustees were grateful that through the support of the contributors they had been able to assist some of the members who in old age or through misfortune had needed the help of the Fund. On the other hand, there was work of a somewhat different character, which gave the Trustees particular satisfaction, viz. to assist in providing education for the children of deceased members, which had been done in one or two cases during the past year. While dealing with present necessities the Trustees had regard for the future, when the calls upon the Fund must tend to become greater, and the Trustees had therefore sought to increase as far as they were able the investments held by the Fund, which now amounted to some £6,000. The Trustees look forward to the continued support of those who had generously contributed, and also to an extension of interest throughout the Society in the activities and needs of the Fund.

ELECTION OF PRESIDENT.

It was unanimously resolved that Sir James Martin be re-elected President of the Fund for the ensuing year.

ELECTION OF VICE-PRESIDENTS.

It was also unanimously resolved that Mr. Charles Comins, F.C.A., Mr. Alexander Hannab, F.S.A.A., Mr. Richard Leyshon, F.S.A.A., and Mr. George Stanhope Pitt, F.S.A.A., be re-elected Vice-Presidents for the ensuing year.

ELECTION OF TRUSTEES.

The following Trustees were re-elected:—Mr. Arthur E. Green, F.S.A.A., Mr. A. E. Piggott, F.S.A.A., Mr. E. W. C. Whittaker, F.S.A.A., Mr. W. McIntosh Whyte, F.S.A.A., and Mr. H. J. Burgess, F.S.A.A.

ELECTION OF HON. AUDITOR.

Mr. Southwood Smith was re-elected Auditor for the ensuing year, and was accorded a vote of thanks for his past services.

The proceedings terminated with a vote of thanks to the Chairman.

Report of the Trustees.

The Trustees present to the subscribers and donors their 31st annual report.

The Trustees much regret the loss sustained by the Fund through the death of Mr. Ebenezer Carr, one of its Vice-Presidents, an original Trustee of the Fund.

There has been a substantial addition to the list of subscribers with a consequent advantage to the Fund.

The surplus at the close of the year was £6,411 13s. 3d., as against £5,892 0s. 5d. on September 30th, 1922.

The total income received by the Fund shows a satisfactory increase over the amounts received during the previous year.

The expenses of the Fund have been confined as usual to necessary outlays for printing, postage, &c.

Although the calls on the Fund during the current year have not been so heavy as during the year 1922, the Trustees feel it incumbent upon them to look forward to the future, when with the growth of the Parent Society a larger demand may well be expected. The Trustees therefore hope that every member of that Society will become a subscriber to this Fund.

Particulars of the grants made by the Trustees are as follows:—£20 (in addition to £140 previously granted) to a former Fellow of the Society who is living in retirement and who is without any regular income owing to the termination of a pension. £15 (in addition to £195 previously granted) to the widow of an Associate left with slender means; the deceased member was a subscriber to the Fund. £10 (final grant) (in addition to £110 previously granted) to the widow of an Associate who died shortly after commencing practice, and who had been unable to make provision for his wife and children. £30 (in addition to £107 10s. previously granted) to the widow of a Fellow whose means of support for herself and a daughter in ill health are quite inadequate. £22 10s. (in addition to £127 10s. previously granted to her and her late husband) to the widow of a former Associate of the Society who for a considerable time was unable to follow his profession and died after a long illness. £30 (in addition to £60 previously granted) to the widow of a Fellow of the Society whose husband died after a long period of ill health and who is in poor circumstances. £2 10s. (in addition to grant of £15 10s.) to an Associate of the Society in poor circumstances. £5 (balance of grant of £30) to a Fellow of the Society who has been suffering from a long illness and is in poor circumstances. £22 10s. (in addition to grant of £40) to an Associate of the Society of advanced age whose small means, chiefly derived from a relative, are inadequate for his support. £17 10s. (in addition to grant of £35) to the widow of a Fellow (a subscriber to the Fund), who died at an early age, as a contribution towards the cost of the education of her son. £30 (balance of grant of £40) to the widow of a Fellow (a contributor to the Fund), whose small means are inadequate for the maintenance of herself and family. £10 to an Associate of the Society of advanced age who was in indifferent health and poor circumstances (since deceased). £10 to an Associate of the Society who had been out of employment, to enable him to take up a new appointment. £22 10s. (part of a grant of £30) to an Associate of the Society of advanced years and who is in poor circumstances. £20 to the daughter of a former Associate of the Society without means of support. £22 10s. (part of a grant of £30) to an Associate of the Society in poor circumstances who is dependent for his support on relatives. £30 (part of a grant of £40) to a Fellow of the Society whose health had necessitated his retirement from public practice on slender means. £16 16s. (part of a grant of £30) to the widow of a Fellow for the purpose of enabling her to continue the education of her daughters. £25 (part of a grant of £37 10s.) to the widow of an Associate of the Society who was killed in action, to enable her to provide for the education of one of her children. £10 (part of a grant of £40) to the widow of an Associate of the Society who died at an early age leaving her with only slender means of support. £10 (part of a grant of £40) to the widow of an Associate of the Society whose means are inadequate for the maintenance of herself and children.

The accounts for the year ended September 30th, 1923, duly audited, are annexed to this report, together with a full list of subscribers and donors.

Dated this 16th day of November, 1923.

ARTHUR E. GREEN (Chairman),	} Trustees.
ARTHUR E. PIGGOTT,	
E. W. C. WHITTAKER,	
W. MCINTOSH WHYTE,	
HENRY J. BURGESS,	

A. A. GARRETT, Hon. Secretary.

BALANCE SHEET, September 30th, 1923.

ARTHUR E. GREEN, *Chairman of Trustees.*

W. SOUTHWOOD SMITH,
*Incorporated Accountant,
Hon. Auditor.*

Mr. CHAMBERLAIN : In the circumstances postulated it may occur, but does not necessarily occur, that the taxpayer would in the first instance suffer deduction, both of British income tax and Irish Free State income tax at the full rate. Where this is the case the taxpayer is entitled to claim relief under the arrangements for relief in respect of double taxation embodied, on the British side, in the Relief in respect of Double Taxation (Irish Free State) Declaration, 1923, and on the Irish Free State side, in the Double Taxation (Relief) Order (No. 1), 1923. Claims for relief from British income tax on account of the payment of Irish Free State income tax should be addressed by persons resident in Great Britain or Northern Ireland to the local Inspector of Taxes, and by persons resident in the Irish Free State to the Chief Inspector (Claims), Inland Revenue, Cecil Chambers, Strand, London, W.C. Claims for relief from Irish Free State income tax on account of the payment of British income tax should, I am informed, be addressed to the Secretary, Revenue Commissioners (Claims Branch), the Castle, Dublin.

AMERICAN INSTITUTE OF ACCOUNTANTS

Impressions of the Annual Meeting.

By JOHN A. CORBEN, F.S.A.A. (Deloitte, Plender, Griffiths & Co., New York), member of the American Institute of Accountants.

The annual meeting of the American Institute of Accountants for the year 1923 was held at the Washington Hotel, Washington, D.C., U.S.A., on September 17th, 18th and 19th, and the attendance was representative of the profession in America. Washington has become more and more the city most frequently visited by the accountancy profession owing to the centralisation of income tax in that city. The majority of accountants have found in the last few years that it is necessary for them to attend from time to time in Washington on behalf of clients having disputed assessments, and from conversation with members present it became obvious that many of them were taking advantage of the opportunity afforded by the annual meeting to take up some matter or other with the Income Tax Department. The city is also the natural home of the American Institute, which as a national organisation is organised under the laws of the District of Columbia.

The 17th was a day of arrivals, the only members really concerned with business of the Institute on that day being the members of the Council, Committees, Boards of Examiners or Trustees.

On the 18th the opening session began at 10 o'clock, and from then until the proceedings closed for all ordinary members with the banquet on the evening of the 19th, a series of business meetings, including elections, discussions and social gatherings, kept all members on their toes to keep pace with the excellent programme which the chairman of the Committee on Meetings had laid out with such admirable skill. Although this is hardly the place to mention the fact, it may be stated that the vote of thanks given to the Committee on Meetings at the close of the proceedings was not the usual formal one, but a hearty expression of an unusually satisfied body who had thoroughly appreciated the capable manner in which the programme had been arranged, supplemented where events proved the advisability of so doing, and carried out to the satisfaction of all.

A WORD TO BRITISH SOCIETIES,

Among the messages of goodwill read by the Chairman on the opening day was a letter from my old friend, Mr. Garrett, Secretary of the Society of Incorporated Accountants and Auditors, and it was a great pleasure to hear from him although it would have been much greater pleasure to have had the opportunity of meeting him again, as would have been the case had he accepted the invitation and represented the Society. The only foreign representatives present were one from the Glasgow Institute and one from the Canadian Institute, and it was remarked from the chair that other British societies appeared to be too busy to send representatives. Their absence was particularly unfortunate owing to the attitude which is rapidly developing in the American Institute at the present time. The Institute is changing in its character. As most British accountants no doubt know, the Institute when originally founded had many foreign members, and for the first years of its existence was greatly influenced by the large British accounting firms who had established themselves and carried on their business in America on the lines on which they had been trained in the old countries and by the young accountants who found excellent opportunities in the country.

The larger firms represented in many cases the British capital invested in the United States, and consequently continued for some time to look to the country of the investing public as the one to whom they were in a large measure accountable. At that time the requirements for the qualification of public accountants in the United States were not defined in most States, and in others were of extremely doubtful value in assuring the quality of the professional accountant. These standards have continually been raised until there are now few States in the Union where the necessary qualifications for the degree of C.P.A. do not include practically all the educational and professional

attainments considered essential by the leading societies in Great Britain.

Many colleges have excellent courses on accounting, and many business schools are devoting attention to preparatory courses for public accountants; the income tax laws have caused much greater attention to be given to accounts and accountants; the war provided many positions for men who had skill in dealing with systems of accounting; during the war foreign accountants ceased to come to the United States; and, last but not least, foreign capital ceased to flow in large volume into the United States and capital from the United States began to go abroad.

All these things have combined to create opportunity for the development and growth of the domestic accountant in the United States, and the home-bred accountant now obviously considers that the present is an opportune time to close the Institute membership to members of foreign societies and to confine future membership to the Certified Public Accountants of America.

A change in the constitution, apparently having that object in view, was placed before the meeting, and although the amendment was defeated it had such widespread support that it is more than probable that a more determined effort in a similar direction will be successfully made in the near future.

During the discussion upon the amendment it was pointed out by one of the leading accountants of America that the Institute now admitted accountants holding the qualification of approved foreign societies, and he suggested that such admittance should be discontinued unless such foreign societies were prepared to give reciprocal treatment to members of the American Institute of Accountants.

It is my impression that this suggestion should receive serious consideration by British accountants, and, as a member of the Society of Incorporated Accountants and Auditors, I recommend it to their special consideration and attention.

Great Britain and the United States are now the international bankers; they are the investing nations for all world enterprise. The bankers and investors always nominate the accountants to safeguard their interest. Rivalry between the American and British accountant in the future in world accounting is certain, and every step which can be taken to unite the control of practitioners and to confine such future rivalry to the best efforts of each and all to excel upon ethical lines is a step in the most desirable and worthy direction.

THE FEATURES OF THE MEETING.

The features of the meeting which will be of most interest to the foreign accountant were the discussions upon topics of special interest to accountants, which were opened by leading members of the Institute and dealt with the following subjects:—

"The Administration of Income Tax Laws and the relation between the Accountant and the Income Tax Unit," by Mr. Robert H. Montgomery (familiarly known as Colonel Montgomery).

"Institute Publicity," by Mr. Homer S. Pace.

"Need for Accountants as Receivers and Trustees," by Mr. John B. Niven.

"Accountants and Bankers," by Mr. Wm. B. Campbell.

"What further a National Budget System can accomplish," by Mr. Harvey S. Chase.

"Application of Ethical Principles," by Mr. Carl H. Nau.

"Standard Curricula for University Courses in Accounting," by Mr. George S. Olive.

Colonel Montgomery, who opened the first of these discussions, is recognised as being the most prominent of all American accountants in this particular branch of practice, and his book upon the income tax law and procedure is a standard work used by accountants and lawyers. He rarely fails to remind his audience that he is a member of the Bar as well as an accountant. His remarks were, as is usually the case, worthy of the attention which they received from the gathering, and briefly were confined to pointing out where the present administration of the tax laws could and should

be improved. He particularly considered that improvements could be made in—

- (1) Measures to prevent the continual change in the personnel of the department and to retain the capable employees and department heads.
- (2) Permanent and suitable buildings and accommodation for the bureau.
- (3) Less definition by explanatory sections of the law and by regulations of the department, and consequently more flexibility in the administration by the Commissioner and his immediate assistants.

He was of the opinion that the experience of the department showed that it is impossible to retain the best members of the organisation, and that the principal reasons were that the salaries were inadequate, and that there was not sufficient respect for the dignity or honour of the positions in the department to enable citizens to give service as they did in other departments from the standpoint of the honour of the service outweighing somewhat inadequate remuneration.

His suggestions comprised both a desire to see salaries increased, to have promotion, pensions and other future possibilities made available, and to see the staff generally placed upon a higher plane with the object of avoiding in future the immense turnover of employees, both of subordinates and executives, which so far had continued during the entire history of the department. He considered this to be a dangerous thing for the department and for the taxpayers, and an economic waste to the community at large. He directed attention to the matter of the buildings and equipment of the bureau. Every professional or business man who has entered the ramshackle wooden buildings with their beaver board walls or partitions can fully endorse the opinion that the buildings and equipment now used are disgracefully undignified and inadequate for the needs of the department. He and other speakers alike agreed in condemning these buildings from the standpoint of safety of life, safety of records, and as being destructive of the dignity and honour of the department, and all hoped to see an early and thorough improvement therein. He spoke of the effect of regulations and rules upon some of the representatives of the department; the futility of conferring with representatives of the department, who seemed incapable of doing other than referring to regulations and trying to fit cases which obviously differed to some prior case which was decided, and which they stated should govern the decision; to the attitude of the department in claiming to treat as government witnesses persons authorised to represent taxpayers who had not registered under the recent rules requiring registration of attorneys. He considered that greater discretion should be given to the Commissioner in interpretation of the items capable of being included as income and business expenses. In response to speakers who pointed out sections giving discretionary powers to the Commissioner, he stated that in his opinion such discretion was in fact limited and confined by the exactness of the definitions given in the sections of the Act dealing with what should be and should not be included as income and expenses respectively, and by subsequent interpretations and amplifications of these sections by rulings of the department. He expressed the opinion that less rigid rules and definitions, and therefore wider possibilities of special interpretation, in special cases would enable the real spirit of the Acts, which is to tax income only, to be more thoroughly and fairly complied with. A member in reply expressed the opinion that probably in practice the result would be unchanged, as the Commissioner would refer all doubtful questions to the legal department, who would undoubtedly interpret the law from the standpoint of the legal mind, which rarely coincides with that of the commercial man.

On these points other speakers also commented, and the writer, reflecting on their comments, may express the opinion that time will cure most of the weaknesses complained of, and that in the continual interchange of views which is daily proceeding between the representatives of the department on the one hand and the lawyer, accountant or business man on the other, each and all are equally teaching and learning, and the result, if slow, is sure. But for a natural desire to listen to others rather than express my own views, I should have drawn

attention to what I consider a real danger for the accountant, the lawyer, and the public in the present tendency of the department to adopt Court rules and procedure as exemplified in the recent regulations requiring registration of attorneys and agents. The law in the United States of America needs no praise. It is beyond doubt intended to assure justice to all, but I venture to assert that procedure thereunder is far from being satisfactory to the average citizen of the country. For that reason it is a mistake to formulate rigid rules of procedure in income tax matters. The present regulations, under which the department claims to permit or bar persons from appearing before it, should be the subject of immediate and determined protest by all professional and business men as it is the thin end of a wedge which, if permitted to enter, will undoubtedly destroy that freedom of action and direct interchange of cross table negotiation which is the most desirable feature of the present income tax procedure. It may even create a new profession—part lawyer, part accountant, part expert, and probably part politician—who will from then on stand between the department and the natural representatives of the public. It would then be to the interest of such practitioners to create further rules, precedents, procedure, &c., whereby their own standing may be enhanced and their positions safeguarded. These regulations appear to me to be an unnecessary step in a wrong direction. Much may have been said for such regulations had they been so drafted as to prevent unethical conduct, such as contingent fees, but the present regulations apparently permit, for they certainly do not specifically bar, persons practising under those conditions. The authority under which these rules are issued and applied should be investigated, and their revision or repeal demanded.

The subject of "Institute Publicity," opened by Mr. Homer S. Pace, also interested the members considerably. Mr. Pace urged upon his audience the essence of collective publicity, requiring them to be exemplary in the performance of public duties at all times; to give service to the community freely, and to see that when they were performing public duties and consequently prominently before the eyes and ears of the public their names were coupled with the Institute of which they were members; to be introduced as members of the Institute; to briefly refer to the Institute when making short or lengthy speeches before audiences; to bring the Institute into conversations; to make it part of their public life in all ways.

He dwelt upon the necessity of forming groups of speakers and writers to present to the public gatherings of business and professional men; the objects of the profession, its progress, its qualifications, the many ways in which it has been and can be of service, and above all he urged upon all members to serve and give of their best for the greater glory and advancement of all. Resolutions to appoint a committee to further these objects were considered in order and were formally passed. Perfect harmony on this subject prevailed, all present seeing that Institute publicity was desirable in the interests of each and every member individually and collectively.

Our friend, Mr. John B. Niven, whose accent will never leave any doubt of his origin, opened the discussion on "The Need for Accountants as Receivers and Trustees."

He opened his subject, as is customary with all first class speakers, with an alibi for not being quite upon the lines of printed announcements, and then proceeded to follow the subject very thoroughly. I propose here to follow Mr. Niven's example and state that this is written entirely from memory, and so may not quote him correctly. He described the ideal receiver in a good deal of detail. The qualifications required of the ideal receiver which he enumerated were then contrasted with the educational and professional requirements of the average accountant, and it could plainly be seen that the accountant had practically every essential requirement for the ideal receiver. His description of both reminded me of the time when one of the speakers at 50, Gresham Street, in London, some years ago used, in connection with the requirements for a practising accountant, the poetical description: "So various a man that he seems to be, not one, but all mankind's epitome."

Mr. Niven met no opposition in his case for the need of accountants as receivers and trustees, but in subsequent conversations with other members it was apparent that

accountants themselves who have had experience in such matters are rather dubious about the advisability of continuing with or entering upon such duties whilst the present scale of remuneration prevails, and further are very doubtful as to how their relations with their lawyer friends will be affected if they commence to compete in a field which has for many years been looked upon as exclusive prerogative of the legal profession.

Resolutions to work for the recognition of the claims of accountants to be considered for appointments as receivers and trustees were adopted.

Subsequent to the meeting the writer pointed out to Mr. Niven that the present tendency of the Court, as shown by recent rules and regulations, was to appoint accountants to receivers and trustees; that this showed a tendency to separate the accounting part of their duties from the managerial or financial part, in the same manner as the appointment of counsel to receivers separates the legal duties therefrom, and consequently the trend apparently would be to appoint business men as receivers and trustees with special appointments of accountants, lawyers or other experts to act with them when considered necessary. This tendency is one which all who are working for the recognition of accountants in accordance with the resolution should note and recognise.

Mr. Harvey S. Chase, in connection with the subject assigned to him, secured the attendance of General Lord, who is in charge of the department having the preparation of the National Budget. The original intention was that Mr. Chase, who had had considerable experience of the appropriation system which preceded the budget system, should first describe to the audience the demerits of the old system, and that General Lord should then give an outline of what the budget system had already accomplished, the present system, its faults and limitations as shown by use, and what he still hoped and believed could and would be accomplished in the future.

The General, whose time was stolen from his department at considerable sacrifice, and who was received with great heartiness by the audience, proceeded with his part of the programme first, in order that he should be enabled to return more speedily to continue his labours. His descriptions of the various unbusinesslike methods which had been replaced by more efficient ones were illuminating to all present. His task as outlined is a gigantic one, his earnest desire to give to the Government the co-ordination of its units, to suppress waste, to use the great resources to the best advantage, and to correctly reflect at all times the true expenditures, was apparent to all, and whilst he expressed himself as unsatisfied with the present position it was generally agreed that the businesslike efficiency which he is rapidly inaugurating in the departments was gratifying to the meeting, both as accountants and as taxpayers.

After the General had been heard, Mr. Chase, apologising for the necessity of putting the horse after the cart, gave several interesting instances of the happy-go-lucky inefficiency of the former system of appropriating from funds not otherwise expended and of the difficulties which he met in endeavouring to obtain authority to compile statements of liabilities or expenditure under the old system.

One of General Lord's assistants then offered a summary of the manner in which the various funds were now controlled by accounts and statements in the form of balance-sheets, showing amongst other things that it was now possible in reference to a considerable position of the Government expenditure to forecast fairly accurately for the coming year, and in some instances even two years ahead. He suggested amongst other things that any accountants or taxpayers interested should obtain copies of the Budgets and that these formidable printed books could be considerably reduced in size and cost by the omission therefrom of many pages dealing with the laws under which the accounts and expenditures were authorised.

Mr. Wm. B. Campbell in his subject informed his audience that the Committee of the Institute, of which he is Chairman, had been giving particular attention to accountants' certificates, which had been the subject of criticism, and that he found many of these criticisms warranted and many explainable. He recommended all accountants to study the

forms of balance-sheets and certificates issued by the Federal Reserve Board in connection with new issues. He read rules for the instruction and guidance of members relative to the giving of certificates on balance-sheets prepared showing the position after giving effect to the new financing, which were formally adopted by the meeting.

Owing to the limitation imposed by the clock, Mr. Carl H. Nau had very little opportunity of doing full justice to his subject, but in his own inimitable way he gave a few commandments for the benefit of practitioners in their conduct. He stated that he considered the duties of the accountant to be ranged in the following order:—

- (1) To the public.
- (2) To the client.
- (3) To the profession.
- (4) To brother practitioners.

He read a most entertaining letter from a member accused of unethical conduct. The circumstances under which the reply was written called for humour. A circular, coming to hands of a member, commencing with a beautiful flowery approach, went on to state: "Yes, we have the organisation you require," or some similar phrase, and the irreverent member who sent the circular to the Institute had put in the margin the highly popular but somewhat mystifying contradictory statement which all the United States is now shouting nightly, "Yes, we have no bananas." The circular was sent to the member who issued it with the usual request for his attention, and in reply he, in lofty language, rebukes the Institute for its lack of dignity, deplores the intellectual bankruptcy of the sender in substituting such puerile wit for argument, and refuses to discuss the matter (except in the following two or three pages) with such poor representatives of the profession. He may rest assured that all the Institute members who heard the extracts therefrom thoroughly appreciated his letter.

Mr. George S. Olive, whose address to the Institute was upon the educational requirements, gave an interesting talk upon the work which had been done in connection with standardising the educational courses which existed throughout the country, and a list of what was considered by his committee as being essential for such courses. His remarks were received with the strict attention that they deserved.

The proceedings terminated with a banquet, which was all that could be expected in view of the eighteenth amendment, although there appeared to be a suspension if not a repeal of this section of the constitution at one table.

A SUGGESTION FOR THE FUTURE.

Meetings of this calibre lead one to hope that just as the United States has gathered into one Institute all the worthy practising accountants of the United States of America, so there may come a day when the Institute will have a closer alliance with its brethren in all parts of the world, and particularly with those across the seas from whence the inspiration which founded it came. In the near future the American accountant must inevitably in increasing numbers follow the investments of the small and the large investor abroad, just as the English and the Scottish accountant has followed the investment of British capital in former years. An organisation composed of representatives of accountants from all parts of the world gathered together with the object each of offering to the other mutual co-operation for general benefit is the ideal to look for and to work for. As the English speaking nations dominate the profession at present, language will present no difficulties, and at such a congress it may well be possible to arrange for such mutual recognition as may bring to each and all the advantage of the high standing which the profession has established throughout the world by the continued efforts of its members in public and private undertakings during the last 50 years and more.

As a member of the American Institute of Accountants and of the Society of Incorporated Accountants and Auditors, as London born, bred and trained, and as a resident and practising accountant in New York, I offer this suggestion to my brethren in England and my adopted brethren in the United States for their joint consideration, believing it to be for the greatest good of all.

Who will co-operate?

District Societies of Incorporated Accountants.

NEWCASTLE-UPON-TYNE.

ANNUAL MEETING.

The seventeenth annual meeting of this Society was recently held at Armstrong College, Newcastle. The President of the Society, Mr. Richard Smith (Newcastle), presided, and there was a good attendance.

The President moved the adoption of the report and balance-sheet. He remarked that considerable time and energy had been expended on the task of bringing the Society up to its present numerical strength.

It was admitted that the profession of accountancy should, in the public interest, have statutory protection, such as registration would afford. This policy had been advocated by the Society for a number of years, and if it had been adopted in the earlier stages it would have prevented the numerous modern growth of other bodies.

In conclusion, the President paid a warm compliment to the Secretary, who had rendered splendid service to the Society.

Mr. T. R. G. Rowland (Stockton), Vice-President, seconded the President's motion. The Society, he said, had a clean bill of health, and under the secretaryship of Mr. Telfer, that looked like being continued.

The report and balance-sheet were adopted.

ELECTION OF OFFICERS.

Mr. E. Darnell, City Treasurer, Newcastle, moved the re-election of Mr. Smith as President. He recalled that Mr. Smith was one of the founders of the Society in 1896. In 1898 he was appointed Hon. Auditor, and in 1899 Hon. Secretary, and he had filled the Presidency with distinction since 1906.

The re-election of Mr. Smith was seconded by Mr. M. H. Groves (West Hartlepool), and carried.

On the motion of Mr. N. H. Walton (Sunderland), seconded by Mr. A. J. Ingram (Sunderland), Mr. Rowland was unanimously re-elected Vice-President.

Retiring members of the committee were re-elected. Mr. W. H. Stalker (Jarrow), was elected to the committee to fill a vacancy caused by the resignation of Mr. M. Hutchinson (Newcastle).

Mr. T. Harold Major (Newcastle) was re-elected Hon. Auditor.

The meeting closed with votes of thanks to the Hon. Secretary and President respectively.

The annual dinner of the Society followed, in the refectory of the College. Mr. Smith presided, and the company included 4 fellows, 24 associates, and 28 student members.

LECTURE BY MISS JEBB AT ARMSTRONG COLLEGE.

A lecture on "The Foreign Exchanges" was delivered at Armstrong College on November 21st, by Miss G. E. M. Jebb, M.A., lecturer in economics, Armstrong College, to the members of this Society. The chair was occupied by Mr. Benjamin Bush, A.S.A.A. (Newcastle).

Study of foreign exchanges, said the Lecturer, revealed mechanism by which exports pay for imports. Bills of exchange arising out of imports transactions supplied the foreigner with currency with which to pay for our exports. To contract the supply of importers' bills raised their price and consequently made our exports dearer for the foreigner. Where trade was on a gold standard basis, this dearness of importers' bills—rather inappropriately described as a "favourable rate of exchange"—would result in a flow of specie towards this country which, though it would "correct" the exchange, would tend to raise prices—export prices amongst others. Unless the demand for the exports was of a kind unaffected by the price charged, some diminution in foreign consumption would follow.

It must always be remembered that the same root cause—the inflation of the currency—which was sending up sterling in terms of marks was also sending up cost of production in Germany. The exporter only gained when the price which he got for his sterling bills rose faster than his expenses.

Undoubtedly this had been the case since the armistice. On the other hand some German industries were now being brought nearly to a standstill owing to the difficulties of financing purchase of raw materials, while the violent fluctuations in exchange had thrown on the exporter risks which had converted commerce into gambling.

The only real remedy, concluded Miss Jebb, was the cessation of inflation abroad.

A discussion followed in which a number of members took part.

NOTTS, LEICESTER, DERBY AND LINCOLN.

Syllabus of Lectures.

- 1923.
- Sept. 25th. "Some Points in the Administration of Bankrupt Estates," by Mr. E. Wynn Humphries. *Chairman*: Mr. J. E. Clarke, F.S.A.A.; at Nottingham.
- Oct. 11th. "A Few Special Points on Taxation," by Mr. C. G. Woodfield. *Chairman*: Mr. F. A. Prior, F.S.A.A.; at Nottingham.
- Oct. 23rd. "The Uses and Abuses of Statistics in Commerce," by Mr. A. L. Boddington, F.S.S. *Chairman*: Mr. H. T. Millman, F.S.A.A.; at Leicester.
- Nov. 29th. "The Development of the Accountant's Functions in Commerce and Industry," by Mr. R. McCutcheon. *Chairman*: Mr. G. W. Sparrow, F.S.A.A.; at Leicester.
- Dec. 11th. "Executorship Law and Accounts," by Mr. W. H. Grainger, F.S.A.A. *Chairman*: Mr. T. Rimington, F.S.A.A.; at Leicester.
- Dec. 18th. Students' Smoking Concert; at Nottingham.
- 1924.
- Jan. 15th. "The Law of Property Act as it Affects Executors (Lord Birkenhead's Act)," by Dr. D. F. de l'Hoste Ranking, M.A., LL.D. *Chairman*: Mr. A. E. Sisling, F.S.A.A.; at Nottingham.
- Jan. 29th. "Efficiency and Bonus Wage Systems and the Apportionment of Overhead Charges, with Particular Reference to the Boot and Shoe Industry," by Mr. E. Miles Taylor, F.C.A. *Chairman*: Mr. F. W. Clarke, F.S.A.A.
- Feb. 15th. Annual Dinner; at Leicester.
- Feb. 27th. Joint Debate with the Sheffield Society of Incorporated Accountants (at the invitation of the Sheffield Society); at Sheffield.
- Mar. 19th. Joint Debate with the Leicester Chartered Accountants' Students' Society (at the invitation of the Leicester Chartered Accountants' Society); at Leicester.
- Mar. 26th. Joint Debate with the Nottingham Chartered Accountants' Students' Society (at the invitation of the Nottingham Chartered Accountants' Society); at Nottingham.
- April 16th. Annual General Meeting; at Nottingham.

STUDENTS' TUITION SCHEME.

Nottingham.—At the University College on Saturday mornings from 9 a.m. to 11 a.m. Law, Dr. Tynsley Lindley; Accountancy, Mr. Stanley Blythen, F.S.A.A., F.C.A.; Economics and Statistics, Professor Kirkaldy, M.A.

Leicester.—At the University College on Saturday mornings from 10 a.m. to 12 a.m. Law, Captain Loseby; Accountancy, Mr. R. V. Rodwell, F.C.A.

The classes are held for the benefit of all articled clerks who are also members of the District Society.

YORKSHIRE.

The third meeting of this Society was held at Leeds on November 6th.

A lecture was delivered by Mr. R. T. McCutcheon, F.S.A.A. (Glasgow), on "The Auditor—His Legal Responsibilities." Mr. A. France, F.S.A.A. (Leeds), occupied the chair.

The Lecturer dealt with the principal test cases affecting auditors and their duties, and gave some practical examples.

A discussion took place at the close of the lecture, and the meeting terminated with a vote of thanks to the Lecturer.

Correspondence.

CAPITAL OR REVENUE?

To the Editors *Incorporated Accountants' Journal*.

SIRS,—I observe Mr. Warren's inquiry in your last issue, and hasten to answer same.

It is set out in Paterson's "Licensing Acts," that "The monopoly value means capital, and not annual, value—a definite lump sum to be ascertained once for all, though when once such sum is fixed the Justices may in their discretion say whether it is to be paid in one sum or by instalments (*R. v. Amendt*; *R. v. Customs and Excise Commissioners, ex parte Jenkins*)."

Yours faithfully,

Burslem,
November, 1923.

J. PATERSON BRODIE.

BANKS AND INCOME TAXATION.

To the Editors *Incorporated Accountants' Journal*.

SIRS,—It is suggested in this month's number of "Business Organisation and Management" that statutory registration of accountants would enable them to command sufficient Parliamentary support to obtain a measure of statutory control of the activities of alleged "income tax experts," which control accountants so urgently desire, and which is so very necessary in the interests of the public itself.

As an accountant who has devoted many years to the study of income taxation, it seems to me that what is more urgently required is an inquiry into the method upon which the big banks charge their customers for work done in connection with income taxation. From what clients have told me it would appear that the banks make charges which do not cover the cost of salaries paid out in connection with the work done, and of course no consideration is paid to the expenses of rent, stationery, postage, &c. Against such unfair competition accountants are, at present, helpless, and therefore it would seem that something more is required than mere control of alleged "income tax experts," at any rate in the interests of accountants in practice, if not in the interests of the public at large.

Yours faithfully,

25, Abchurch Lane,
London, E.C.

G. O. PARSONS.

INCOME TAX AND SUCCESSION.

To the Editors *Incorporated Accountants' Journal*.

SIRS,—With reference to the letter of "W.H.D.M." which appeared in your November issue, from the facts stated therein it appears that there was a firm which for some years consisted of four partners, and at December, 1918, one of them retired and had his capital paid out, no other partner taking his place. There is no indication that there was any alteration in the business of the firm, which presumably, therefore, was carried on as before by the three remaining partners. Under these circumstances there does not seem to be any ground for altering the ordinary basis of assessment for income tax, viz, the three years average, nor for treating the firm as carrying on a new business from December 31st, 1918, when the partner retired. The only possible claim would be that a "specific cause" had arisen through the loss of the influence of the retired partner, but this would depend on the particular circumstances of the case.

Both for income tax and for excess profits duty it is the business which is assessed and not the individual, and I think that if the "similar case" which the other accountant referred to were inquired into it would be found that the circumstances were in fact not the same.

Yours faithfully,

November, 1923.

E. F. G.

INCOME TAX—RULE XIII.

To the Editors *Incorporated Accountants' Journal*.

SIRS,—I read with considerable interest the article entitled "The Financing of Subsidiary Companies" in the September issue of the *Journal*.

In that article mention was made of the fact that Rule 13, Schedule D, Cases 1 and 2, cannot be applied between parent companies and their subsidiaries. Some little time ago I considered some hard cases arising from this position, and came to the conclusion that equity demands some alteration of the law. I drafted certain suggested amendments for a future Finance Act and put together certain arguments in support.

I enclose a memorandum prepared from my previous notes for your consideration.

Yours very truly,

R. E. LOVEDAY.

SUGGESTED EXTENSION OF THE SCOPE OF RULE 13.

All professional accountants are familiar with Rule 13, applicable to Cases 1 and 2 of Schedule D, Income Tax Act, 1918, but before considering any modification thereof it is well to have the exact wording set out, which is as follows:—

A person who carries on, either solely or in partnership, two or more distinct trades the profits of which are chargeable under the rules of this Schedule, may deduct from or set off against the profits as computed under this Act in respect of one or more such trades, the loss so computed sustained in any other such trade, and may make separate statements as to each such trade.

The provision set out in this rule is eminently just, and must have been and is now of great assistance to persons with many commercial interests.

The trouble in the past has been that if a person segregated his various interests into limited companies, or partly into firms and partly into limited companies, he could not take advantage of the rule in question so far as setting off a loss in a limited company against a profit accruing to his firm, or another limited company owned by him, was concerned.

Instances of great hardships owing to the partial operation of the rule in question will be known to many and can be imagined by all. For example, one limited company owned by a single taxpayer might make a profit of, say, £10,000, while another owned by the same taxpayer might in the same period make a loss of, say, £15,000, and yet in respect of the former the owner will be income taxed and super taxed, whereas in respect of the latter no set off can be claimed and possibly no relief from taxation obtained at any time, even if profits are made at a later date, owing to the period dropping out of average.

It is customary for persons who have many interests separated in the way mentioned to supply the funds necessary to enable the struggling limited companies to carry on during periods of loss, and this is obviously a considerable advantage to creditors in the case of the companies eventually being wound up.

The chief difficulty felt in the past in suggesting an alteration in the law was the fact that, up to a comparatively short time ago, the idea of the separate legal entity enshrined in a limited company was strictly adhered to in our taxing legislation, the result of this being that the limited company was always taxed without consideration in any way of the position or income of its members.

This legal isolation was to some extent, in certain instances, broken by excess profits duty enactments, but as the duty in question was always considered a temporary expedient, it was difficult to plead that it had permanently altered the legal position of limited companies with regard to taxation generally.

Now, however, it is submitted that sect. 21 of the Finance Act, 1922, has definitely altered the position, as the individual members of certain specified limited companies are directly taxable, in certain cases, on the income of such limited companies in respect of profits still in the possession of such companies and which may never come into the hands of the member taxpayers.

It appears that with this alteration, by which profits held by a limited company are considered part of and as increasing the incomes of its members, it must be difficult to argue that losses in a similar position should not be considered as reducing the incomes of the members.

It will at once be seen that if such a position is allowed it must be hedged about with certain restrictions entirely owing to the fact that the statutory limitation of liability does constitute a different position, so far as the owners of the business are concerned, from that of the owners of a business where the liability is unlimited.

Putting it shortly, it is submitted that the chief, if not the only, safeguard should be that any losses in a limited company which are set off against profits in an unlimited concern or of some other limited company must have been made good in hard cash by the unlimited concern or other limited company, and must be irrecoverable from the limited company receiving the same. Such a transfer, in the usual course, would enable the receiving limited company to show taxable and divisible profits at an earlier date than would be the case if it had to make good the loss out of subsequent profits.

It is not necessary to stress the point that the losses dealt with in the way suggested must be trading losses as computed under the Income Tax Acts.

By the proposed restrictions there would be no danger of capital losses being set off against business profits, and also there would be no danger of a paper loss being set off against actual profits, owing to the provision that the losses dealt with must be made good in hard cash.

With the intention of showing in a concise manner the proposed alteration in income tax law, draft clauses for a future Finance Act have been prepared, and are set out below.

It will be seen that the draft clauses are founded on sect. 21 of the Finance Act, 1922, and part is an exact copy. Perhaps the last paragraph in sub-sect. (1) is unnecessary, but it is put in to bring out a point mentioned above.

DRAFT CLAUSES FOR A FUTURE FINANCE ACT.

With a view to preventing the overpayment of income tax and super tax through the separation of various businesses, carried on by the same person or persons by means of distinct companies, which overpayment would not take place provided the businesses were carried on by a firm or sole trader, it is hereby enacted as follows:—

1.—Where it is proved to the satisfaction of the Special Commissioners that any company to which this section applies has in any accounting period made a trading loss as computed under the Income Tax Acts, and any shareholder or shareholders have voluntarily made such loss good or any part of it by direct cash payments, such shareholder or shareholders shall be entitled to set off the amounts so paid against any profits, in respect of which they are subject to income tax or super tax, during the year of assessment in which falls the end of the accounting period of the company in respect of which the loss has been made good.

Provided that in the event of this section being applied any amount paid for the purpose set out in this sub-section shall be irrecoverable by the shareholder or shareholders paying the same and for all purposes shall be deemed to be the income of the company receiving such amount and further shall be so dealt with in the company's accounts.

Provided also that nothing in this section shall prejudice the division of profits by any company, receiving a payment of the kind contemplated by this section, at an earlier date by reasons of such payment than would otherwise be possible.

2.—Where a claim for set off is made under this section the shareholder shall furnish the Special Commissioners with a declaration in the prescribed form giving the required particulars signed by a director and the secretary of the company (or by other officials of the company occupying similar positions) and certified by a member of the Institute of Chartered Accountants or Society of Incorporated Accountants and Auditors or other professional accountant specifically approved by the Board of Trade.

3.—The section shall apply to any company—

(1) Which has been registered under the Companies Acts, 1908 to 1917; and

(2) In which the number of shareholders computed as hereinafter provided is not more than 50; and

(3) Which has not issued any of its shares as a result of a public invitation to subscribe for shares; and

(4) Which is under the control of not more than five persons.

For the purposes of this sub-section—

In computing the number of shareholders of a company there shall be excluded any shareholder who is a trustee or nominee for some person otherwise owning or beneficially interested in shares in the company, or who is an employee

of the company, or is the wife or the unmarried infant child of a beneficial owner of shares in the company;

A company shall be deemed to be under the control of any person where the majority of the voting power or shares is in the hands of those persons or relatives or nominees of those persons, or where the control is by any other means whatever in the hands of those persons;

The expression "relative" means a husband or wife, ancestor, or lineal descendant, brother or sister;

The expression "nominee" means a person who may be required to exercise his voting power on the directions of, or holds shares directly or indirectly on behalf of, another person;

Persons in partnership and persons interested in the estate of a deceased person or in property held on a trust shall, respectively, be deemed to be a single person.

4.—In this section the expression "member" shall include any person having a share or interest in the capital or profits or income of a company, and the expression "employee" shall not include any governing director, managing director or director.

MUNICIPAL ORGANISATION—"THE CITY MANAGER SYSTEM."

Lecturing on November 10th, at Southport, to the North-Western Society of the Institute of Municipal Treasurers and Accountants on "Municipal Organisation as applied to Finance and Accounting," Mr. Norman E. Lamb, F.S.A.A., Incorporated Accountant, Newport, Mon. (formerly of the Borough Treasurer's Department, Newport), after comparing the essential differences between municipal and commercial and also Government organisations, quoted the recent memorandum of Sir Albert Gray, K.C.B., K.C., to the London Government Commission, in which he suggested that the larger English authorities might well give some attention to the municipal reforms in progress in America during the last twenty years, different as the conditions may be. These began with the "Commission System," under which the whole city government was concentrated in five or six elected commissioners. Though adopted in more than two hundred cities, and deemed an improvement, the system was seen to be defective because popular election did not throw up the requisite number of competent administrators. The new development was the "City Manager System," started about ten years ago and adopted in about two hundred cities. A city council was popularly elected, who were required to appoint a manager for the executive business, reserving to themselves control of finance and policy. The manager appointed the sub-managers of the various departments. They were responsible to the manager, as he was to the council, and the council to the people. It was claimed that this plan had displaced politics and corruption, and promoted efficiency and economy. Its wide adoption was at least *prima facie* evidence of its success. It had indeed had to face much criticism, even in places where it had been adopted.

In many of these cases the number of the city council was far too small, consisting of only five or six members; and the natural complaint was that the representation of the parts of a city was insufficient, while the council's control over the executive officers was inadequate. Cleveland, Ohio, the greatest city which had adopted the system, had a city council of twenty-five, none too large for its population of over 800,000. The American experiments thus on trial should, it was suggested, be carefully observed by municipal authorities in this country.

The Lecturer referred to the need for treating organisation as a distinct and essential element of office training, and the great value of visits of inspection to other concerns.

Adverting to the policy of central purchasing of a local authority's requirements, as opposed to departmental purchasing, he suggested that this policy could be extended by the co-ordination of a number of contiguous local authorities, on a voluntary basis, for buying and other public services. This was an alternative to amalgamation.

The treatment of tuberculosis in Wales and Monmouthshire, where all the county councils and county borough councils, seventeen in all, "pooled" together for the purpose, was a striking example.

Discussing the machinery of organisation, Mr. Lamb referred to dissection and allocation as the "heart of accountancy," and pointed out that by means of the "Hollerith" system a clerk's capacity to dissect and analyse could be multiplied a hundred fold.

Review.

Accountants' & Auditors' Diary, 1924. London: T. Whittingham & Co., Limited, 10/12, Little Trinity Lane and 35, Bucklersbury, E.C. (Price 6s. 6d. to 12s. 6d. net according to size and binding.)

The 1924 edition of this Diary, which is specially designed for the use of accountants, has now been issued. It provides details of work done day by day with a time summary at the end. This summary is specially ruled to enable the time for the whole year to be summarised under each client's name, additional columns being provided for working out the total time and extending the charges. In the cloth bound editions the summary is enlarged and divided into alphabetical sections for convenience of reference. The editorial matter is specially selected so as to be of practical use to accountants in the carrying out of their duties from day to day, and comprises the audit provisions relating to joint stock companies and companies incorporated under special Acts of Parliament. Special attention has been given to the provisions relating to income tax, super tax and corporation profits tax, full and up-to-date particulars being supplied in a form readily accessible and without unnecessary detail. Full information is likewise supplied with regard to stamp duties, national insurance, &c. The Diary is published in a number of different sizes and bindings suitable for the varying requirements of principals and clerks, and will be found to be well adapted to fulfil its objects.

GOLF.

At Woolton, on October 26th, between the Liverpool Society of Incorporated Accountants and H.M. Inspectors of Taxes.

SINGLES.

Incorporated Accountants.		H.M. Inspectors of Taxes.	
R. W. Woodhead ..	0	E. Carlisle (2 & 1) ..	1
C. Tunnington ..	0	J. F. R. McGlashan (3 & 2) ..	1
C. Semper (1 up) ..	1	R. B. Heastie ..	0
A. E. Noon (2 & 1) ..	1	A. W. Williams ..	0
G. F. Elsworth (5 & 4) ..	1	R. G. Henry ..	0
T. G. Thompson (2 & 1) ..	1	J. Cooper ..	0
C. M. Davies ..	0	J. Youds (6 & 4) ..	1
E. Haygarth (4 & 3) ..	1	W. Monks ..	0
W. Chadwick (6 & 4) ..	1	R. Tattersall ..	0
E. C. Anderson (5 & 3) ..	1	T. B. Stephen ..	0
W. A. J. Parkinson (6 & 4) ..	1	J. C. Meadowcroft ..	0
	8		3

FOURSOMES.

Incorporated Accountants.		H.M. Inspectors of Taxes.	
Tunnington & Semper (all square) ½		McGlashan & Heastie (all square) ½	
Elsworth & Chadwick (3 & 1) 1		Henry & Tattersall ..	0
Thompson & Davies ..	0	Cooper & Youds (4 & 3) ..	1
Haygarth & Noon (2 & 1) 1		Monks & Williams ..	0
Anderson & Parkinson ..	0	Stephen & Meadowcroft (2 & 1) 1	
Woodhead (1 up) ..	1	Carlisle ..	0
	3½		2½
TOTAL 11½		TOTAL 5½	

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Accountants in Public Life.

Scottish Incorporated Accountants have always taken a full share of public services. Several of the Presidents of the Scottish Branch have occupied the position of Provost of their respective towns. One former member of the Scottish Institute of Accountants (the Scottish Branch of the Society) became Lord Provost of Glasgow, and was made a baronet. Many have occupied the lesser position of Bailie. In this connection we notice that Ex-Bailie James Finlay, Incorporated Accountant, Kilmarnock, has just severed his connection with the town council of that burgh, after a service of well over thirty years. Mr. Finlay was a keen debater and a strong politician, and came into frequent conflict with Labour members in the town council, but always with a touch that left no bitter feeling. He will be much missed in the public life of the district.

Among those recently appointed to be Deputy Lieutenants for the County of the City of Glasgow are two well known accountants of that City: Mr. John M. MacLeod, LL.D., ex-M.P., and Mr. Thomas Kelly, both members of the Institute of Accountants and Actuaries in Glasgow.

An interesting Parliamentary fight is likely to take place in Dumbartonshire, between two Chartered Accountants. Mr. J. Stanley Holmes, a well known London accountant and a former M.P. for a Division of Derbyshire, is opposing as a Liberal Mr. W. M. Martin, Glasgow, a prominent member of the Socialist party in that city.

An Income Tax Case.

Counsel were heard and judgment given by the First Division of the Court of Session, on 10th ult., in a case involving *inter alia* the question of whether succession to a business, the mill and plant of which had been destroyed by fire, carried with it the average of the previous owners. The facts were, briefly stated, as follows: Messrs. Thomson & Balfour, timber merchants, Bo'ness, appealed, under the Income Tax Act, 1918, against assessments made on them to income tax for the two years ended 1923. In January, 1916, a very large part of their mill and plant was destroyed by fire. After the fire they continued to carry on business in the part of the premises which remained intact and carried out Government and other contracts. Half a mile away another firm named Mickel and Co. carried on a somewhat similar business under the name of the Victoria Sawmills. Early in 1919 the appellants, Thomson & Balfour, entered into negotiations and ultimately purchased the Victoria Mills. No orders whatever were on hand or unexecuted at the Victoria Mills, and no debts due to or by the firm of Mickel & Co. were transferred to Thomson and Balfour. After the purchase the entire office staff of Thomson & Balfour was transferred to the Victoria Mills, and their business was carried on there. The assessments appealed against were made by the Inspector of Taxes and allowed by the Special Commissioners upon the average of the profits of the business of Thomson & Balfour (the appellants) combined with the average of the profits for the relative years made by Mickel & Co., the appellants being treated as having succeeded to the business formerly carried on by Mickel & Co. The questions of law for the opinion of the Court were (1) whether the Commissioners were entitled, on the facts found, to hold the appellants had succeeded to the trade of Mickel & Co. within the meaning of the Statute; (2) whether, in respect that the appellants had not the material to test or verify a substantial portion of the assessment in question and the figures thereof being in dispute, the Commissioners were entitled to confirm the assessment appealed against. The Division answered both questions in the affirmative. Their Lordships held that the documentary evidence was in favour of the contention of the Inspector of Taxes that the appellants had succeeded to the business of Mickel & Co., that that evidence had not been displaced, and that the fact that appellants were already engaged in business on their own account made no difference to the question of succession.

Difference Between Scots and English Law.

Under the auspices of the Glasgow Institute of Accountants and Actuaries an interesting course of three lectures on the above subject was given last month by Mr. Hector Burn-Murdoch, LL.B., Advocate, Edinburgh. In his first lecture Mr. Burn-Murdoch traced the sources of English law, noted the main points of contrasts with the Scots law system, and gave a short description of the distinctive features of the English Courts and their procedure. The second lecture dealt with the laws of contract and partnership, special attention being given to the English doctrine of "consideration" and the recognition in Scotland of a firm as having an individual legal persona. Mr. Burn-Murdoch dealt in the concluding lecture with the subject of mortgages and security rights of the various types recognised by English law. In the case of mortgages on land or house property he noted the element of risk, especially in "equitable mortgages," resulting from the system of conveyancing and the absence of compulsory registration of title. After explaining the position in regard to securities over incorporeal personal property (such as share certificates) and over goods by "bill of sale," he proceeded to discuss the so-called "floating charges" granted by English companies over their general assets. He pointed out that this last form of charge, which is unknown in Scotland, affords a very imperfect security. Dealing next with the law and practice of the two countries affecting company administration and business, he emphasised the invalidity of all securities granted by an English company if not registered with the Registrar of Companies, and the rule of English common law invalidating contracts with companies and other corporations unless executed under corporate seal.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division. *e.g.* (1923) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Sessions Cases (Scotland)*; S.L.R., *Scottish Law Reporter*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*.

The other abbreviations used in modern reports are A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; P., President of Probate, Divorce and Admiralty.]

BANKRUPTCY.

Re Hyams.

Annulment of Adjudication of Bankruptcy does not annul the effect of the Trustee's Disclaimer.

The debtor was adjudicated bankrupt on December 14th, 1922. At the time he was in occupation of leasehold premises, where he lived and carried on business at a rent of £70 a year. On April 17th, 1923, the Official Receiver as trustee disclaimed the lease. On April 19th the bankrupt tendered the rent due for the quarter ending March 25th to the landlord, who accepted it. On April 20th the debtor applied to the Court to approve a composition of 5s. in the £; the composition was approved and the adjudication annulled. No vesting order under sect. 54 of the Bankruptcy Act, 1914, had been made. The landlord now applied for an order vesting the premises in him and for delivery of possession. The Registrar refused to make the order, on the ground that the landlord having after the date of the disclaimer received the full rent payable for the March quarter had recognised the tenancy as still existing.

The Court of Appeal, in allowing the appeal, held that the adjudication had been annulled under sect. 22 and not sect. 29 of the Bankruptcy Act, 1914, and it could not annul the effect of the trustee's disclaimer by which all rights and liabilities of the tenant were determined, and could not be rehabilitated. The acceptance of the full rent by the landlord only affirmed the tenancy as existing up to March 25th and no later. As from the date of the disclaimer the property had been re-vested in the landlord, and it was doubtful if it was necessary to make a vesting order in his favour, but he was entitled to an order for possession.

C.A.; (1923) 58 L.J.N., 482.)

LANDLORD AND TENANT.

Calthorpe v. McOscar.

Meaning of "Well and sufficiently Repair."

A lease dated in 1825 of three houses in Middlesex, which were then new, for 95 years as from June, 1824, contained a covenant that the lessee, his executors, administrators and assigns, should "well and sufficiently repair" and keep the said houses and yield up the same so repaired and kept at the determination of the term. At the beginning of the term the district was semi-rural and the houses were country houses; but with the growth of population the district changed and at the end of the term it had become a central part of London, and the houses or parts of them could then be sub-let to small tenants only. An action was brought at the determination of the term to enforce the covenant against the successors in title of the original lessee.

It was held that the obligation of the defendants under the covenant was to do such repairs only as having regard to the age, character and locality of the houses would make them reasonably fit for the occupation of reasonably minded tenants of the class who would be likely to take them. In a covenant by the tenant of a house to keep it in repair, the word "repair" by itself denotes all that is implied by that word together with any of the adjectives "good," "proper," "substantial," "sufficient," "necessary" or "tenantable."

(K.B.; (1923) 2 K.B., 573.)

LOCAL GOVERNMENT.

Nixon v. Erith Urban District Council.

Local Government Contracts for over £50 under the Public Health Acts must be under Seal in the case of an Urban District Council.

Although in the case of a rural district council there is an exception to the general rule that a corporation must contract under seal, the exception does not apply to an urban district council acting under the powers conferred by the Housing Acts of 1890 and 1919, their right to enter into contracts for this purpose being governed by the Public Health Act, 1875, and such a contract by an urban district council for more than £50 must be under seal.

(K.B.; (1923) 40 T.L.R., 1.)

MISCELLANEOUS.

Dodd v. Amalgamated Marine Workers' Union.

A Member of a Trade Union has a right of inspection by his Accountant of its books and accounts in a proper case.

The appeal of the defendant union from the decision of Astbury (J.) ((1923) 2 Ch., 236), reported in *The Incorporated Accountants' Journal*, June, 1923, whereby he held that the plaintiff was entitled to inspect by his accountant the books of the defendant union of which he was a member, was dismissed by the Court of Appeal.

The Court held that the right of inspection was given by the Trade Union Act, 1871, sect. 14, and Schedule I, clause 6, and the rules of the union made provision for such inspection in accordance with the Act. It was admitted that in certain cases, *e.g.*, where the member desiring to inspect was blind, assistance could be given to make the inspection effective, and

it was decided in *Bevan v. Webb* ((1901) 2 Ch., 59) that inspection might be made by an agent, and in *Norey v. Keep* ((1909) 1 Ch., 561) by an accountant.

It was contended in this case that although the plaintiff had a *prima facie* right to inspect, yet there must be the power in the trade union to resist it upon reasonable grounds. The onus of proof was upon the trade union and there was nothing in the Act to show that there was a discretion in the appellants to refuse inspection because they in their sole judgment had a suspicion that the member claiming inspection was acting improperly or contrary to the interests of the union.

(C.A.; (1923) W.N., 297.)

Banque Internationale de Commerce de Petrograd v. Goukassow.

Action held not to be maintainable.

The appellant bank was duly constituted in Russia, and established branches in Paris and London. In 1913 the former branch entered into a contract with the respondent, for a breach of which the present action was brought. It was admitted that the contract in question was governed by French law, which law recognises the parent bank in Russia as still in existence. The decrees of the Soviet Government, however, have abolished the parent bank, and the British Government, having recognised the Soviet Government as the *de facto* government of Russia, must give effect to the decrees of that government; consequently in the eye of the English law the London branch of the Russian bank has no legal existence and cannot sue in the English Courts. The question involved now was whether the Paris branch was under the same disability here.

Held, that when according to the law of this country a foreign joint stock company has ceased to exist, an action by the company is not here maintainable, even though the contract in question is governed by the law of a country which recognises the company as still in existence.

(C.A.; (1923) 39 T.L.R., 574.)

Kramer v. Attorney-General.

Dual Nationality.

The appellant was born in England in 1867, and thereby became a British subject. His father in 1869 returned to Germany, and obtained a re-grant of German nationality for himself and his infant children, including the appellant, who in due course served his term of military service in the German army. In 1917 the appellant, being then engaged in business in Siam, which country declared war against Germany, was arrested as a German national and deported to India, and after being interned there he was subsequently released and landed in Germany. The appellant had certain property in this country which, under the Treaty of Peace Order, 1919, in common with all property and interests belonging to German nationals, at the date of the coming into force of the Treaty of Versailles, was charged as a set-off against British claims in enemy countries. The appellant claimed that being of dual nationality, British and German, he was not to be treated as coming within the meaning of a German national in the Treaty and Order.

Held, that the appellant was not the less a German national for the purposes of the Treaty and Order because he was a British subject. If it was objected that the Order might operate harshly in the case of dual nationality, and might even be applied against a man who had resided in England and fought for this country during the war, the answer was that dispensing power was given in the Order whereby any particular property, in case of hardship, might be released from the charge.

(A.C.; (1923) W.N., 146.)

Knight, Frank & Rutley v. Gordon and Others.

Commission.

It was admitted that a contract had been entered into through the agency of the plaintiffs for the sale of an estate for £77,500, upon which a deposit of £5,000 had been paid.

The purchaser failed to complete through no fault of the vendors, and the sale fell through, the deposit being forfeited. According to the scale of commission issued by the plaintiffs to their clients on sales by private treaty, the plaintiffs would have been entitled to £1,200 if the sale had been completed, and they claimed for that amount as commission, or alternatively as damages for breach of contract. The defendants paid into Court £132 10s. the amount of commission according to the plaintiffs' scale upon the sum of £5,000 paid as deposit.

Held, that in the case of a private treaty scale the liability to pay commission on the purchase price only arises when a sale has been completed, and the agent is not entitled to commission if he has merely brought about a purchase agreement which, without default on the part of the vendors, has not been completed.

(K.B.; (1923) 39 T.L.R., 399.)

REVENUE.

Shrewsbury v. Shrewsbury and Others.

Construction of "Clear of all Deductions whatever for Taxes or otherwise."

A private Act for the settlement of an estate empowered the person entitled to the estate for the time being to appoint to any wife an annuity of £3,000 by way of jointure "clear of all deductions for taxes or otherwise."

It was held that the Act was intended to provide for and exempt from any deduction of income tax, and the annuity must be paid free of income tax.

(C.A.; (1923) 40 T.L.R., 16.)

Gibson v. Reach.

Entertainment Tax is payable in connection with a Seat let to spectator to see a Procession in a public street.

An information was laid by appellant (Gibson) against the respondent (Reach) charging that on September 6th, 1922, at his premises a spectator was admitted for payment to a place of entertainment, viz, to see a procession in a public street, where the payment was subject to entertainments duty, otherwise than in compliance with sect. 1 of the Finance (New Duties) Act, 1916, which provides that there shall be charged on all payments to any entertainment, as defined by the Act, an excise duty. The Justices dismissed the information and an appeal was made to the Divisional Court.

It was held that the Act of 1916, sect. 1 (1), charged a duty on all payments for admission to any entertainment, and in sect. 1 (2), which created the offence in question, were the words "if any person is admitted for payment to any place of entertainment." In this case the spectator was admitted by the respondent to the room and window for payment, and the question therefore was whether the room and window were a "place of entertainment" within sect. 1 (2) of the Act. It was admitted that the procession was an entertainment. It took place on the highway, but it did not follow that the room and window were not a "place of entertainment." That expression was not necessarily confined to the actual spot in which the entertainment took place. Spectators of a cricket or football match, visitors to a theatre or concert, were not admitted to the playing field, nor to the stage, nor to the platform or orchestra. They were admitted to a place adjoining the spot where the entertainment was given, from which they could see and hear it. In the opinion of the Divisional Court the window was, on the day in question, a place of entertainment. If the Act of 1916 had stood alone it would have been sufficiently clear that the spectator had been admitted for payment to a place of entertainment, but it might have been doubted whether the respondent could have been said to be the proprietor of the entertainment and therefore liable to the penalty. The Finance Act, 1922, sect. 11 (a), has removed the doubt by declaring that the duty is chargeable on payments made for admission to an entertainment made to a person other than the proprietor of the entertainment. The matter must be remitted to the Justices with an instruction to convict. The appeal was accordingly allowed.

(K.B.; (1923) W.N., 300.)